



Daily Report

China

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General

Envoy to UN Calls For Protection of Minorities

OW1502003995 Beijing XINHUA in English
1836 GMT 14 Feb 95

[FBIS Transcribed Text] Geneva, February 14 (XINHUA)—China today called on all governments to promote the protection of minorities by peaceful and constructive means including legislation ensuring their active part in society and offer of preferential policies for their economic progress.

"In a multiracial society,... the state should adopt legislative, administrative and other measures to guarantee the participation of all nationalities in the management of state and local affairs in various aspects of social life," said Chogyal of the Chinese delegation this afternoon at the 51st session of the United Nation Commission on Human Rights.

He stressed the need for a government to pay close attention to the protection of the rights and interests of minorities while formulating political, economic and social development policies, to seek solidarity and harmony among nationalities, which bears much on the development and stability of a society as whole.

Meanwhile, a government should provide special financial, personnel and material support as well as preferential economic policies for the minority-populated regions, where are usually underdeveloped for historical and geographical reasons, he added.

In his speech, Chogyal pointed out that it is imperative to base the protection of minorities and prevention of discrimination on the principle of equality among all nationalities, calling for efforts from all countries to eliminate new forms of racism, racial supremacy, xenophobia as well as confrontation and conflicts among nationalities.

According to Chogyal, China deems it reasonable for a country to adopt a political system in the light of the specific situation of its own.

"The issue as to what system should be adopted in multiracial societies to harmonize relationship among various nationalities and to safeguard unity of the country and solidarity among nationalities is entirely the internal affairs of the countries concerned and should be decided by the people of these countries," he said.

"On this issue there is no fixed model.... No country should impose its own ideology and social system on others, even less use its own values as the pretext for interference in the internal affairs of other countries," Chogyal noted.

UNDP To Provide Aid for Jiangxi Development Project

OW1402143695 Beijing XINHUA in English
1423 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (XINHUA) The United Nations Development Program

(UNDP) will extend 907,000 U.S. dollars in aid for east China's Jiangxi province as part of its effort to support sustainable development in China.

The money will be used to build a Geographic Information System (GIS), which will provide necessary information for an ambitious sustainable development program in the province which has serious poverty and environmental degradation problems.

Speaking today at a signing ceremony, Resident Representative of the UNDP Arthur N. Holcombe said that the relatively modest project will help start the Mountain, River, and Lake Project in Jiangxi province (MRL), a large, long-term program for poverty alleviation and sustainable development.

The MRL Project area, including China's largest freshwater lake, and valleys of five major rivers, accounting for 97.2 percent of the province, was launched in 1983.

The project was listed last year by China as one of the highest priority programs of China's Agenda 21 for international and national assistance.

Germany and the International Fund for Agricultural Development have also promised to provide a large amount of aid or preferential loans for the project.

The province has received medium and long-term preferential international loans totaling 200 million US dollars in the past and has invested 1.5 billion yuan in agricultural development.

*Experts View State of U.S.-Russian Relations

95CM0103A Beijing XIANDAI GUOJI GUANXI
[CONTEMPORARY INTERNATIONAL RELATIONS]
in Chinese No 12, 20 Dec 94 pp 2-25

[Article: "Summary of Minutes of Workshop on U.S.-Russia Relations"; remarks by participants at a panel discussion sponsored by the editorial board of XIANDAI GUOJI GUANXI on 15 November 1994 in Beijing]

[FBIS Translated Text] Relations between the United States and the Soviet Union as a dominant element in international politics have been replaced by relations between the United States and Russia following dissolution of the USSR. Students of international relations and our readership are both extremely interested in differences between U.S.-Russia relations and U.S.-USSR relations, changes in their nature and expression, their position in the world lineup, their role and influence, and trends in their development. On 15 November, the editorial board of Japan magazine invited some scholars in Beijing to conduct a thorough inquiry into this matter, the results of which have been collated for publication in five parts.

Development, Changes and Outlook for U.S.-Russia Relations

Fu Guanfu [7357 7070 4395] (research fellow, Chinese Contemporary International Relations Research Institute): I will make some remarks about the status of and outlook for U.S.-Russia relations.

1. Development of U.S.-Russia relations during the past three years

Relations between the United States and Russia are a continuation of relations between the United States and the USSR. At the end of the 1980s, relations between the United States and Russia underwent fundamental change from confrontation to complete relaxation and cooperation. Naturally, one cannot entirely equate relations between the United States and Russia today with relations between the United States and the Soviet Union. Current relations between the United States and Russia may be characterized as both cooperative partnership and continuing competition in some respects.

The cooperative partnership between the United States and Russia was founded during the U.S.-USSR era. During the late 1980s, Mikhail Gorbachev's "glasnost" policy led directly to a complete easing of relations between the USSR and the United States. In light of the changes taking place in the USSR at that time, during the George Bush administration the United States changed its several decade long "policy of containment" toward the USSR. In May 1989, it proposed a "beyond containment strategy" that not only gave impetus to dramatic changes in eastern Europe, but also brought the USSR closer to the West. At the end of 1989, the United States and the Soviet Union inaugurated a new stage of complete cooperation marked by the meeting at Malta of the two heads of state. The importance of this meeting lay in Gorbachev's acceptance of the U.S. demand to move into eastern Europe to promote Western economic and political systems there. Gorbachev guaranteed Bush no interference in changes in eastern Europe, allowing it "free choice." The return that the USSR obtained was America's willingness to give large scale economic assistance with Gorbachev providing a list of needs. Thus, the movement toward complete relaxation of relations and cooperation between the United States and the USSR resulted from a combination of Gorbachev's "glasnost," and Bush's "beyond containment strategy."

At the end of 1991, Russia became independent upon the dissolution of the USSR. To a certain extent the U.S. government took part in the USSR dissolution process by openly supporting the birth of Russia and Boris Yeltsin's rise to power. Therefore, after emerging as a newly independent nation, Russia pursued a policy of complete reliance on the West. Once again, the United States took the opportunity to accelerate complete change in Russia. In June 1992, Yeltsin made his first visit to the United States as president of Russia where both parties signed the "Washington Charter" as well as more than 30 agreements on cooperation in various fields. In early 1993, when Bush was about to step down as president of the United States, he visited Moscow, where he reached an agreement with Russia on the second stage of strategic arms reduction. Under the terms of this agreement, each of the two parties would reduce its strategic weapons by two-thirds. Russia agreed to complete destruction of its heavy, multiple-warhead,

land-based intercontinental missiles. Were this agreement to be carried out, the United States would have a marked strategic lead over Russia. Following the signing of this agreement, both the United States and Russia announced that relations between the two nations had entered a "new era of friendship and partnership."

In 1993, after Bill Clinton entered the White House, the United States paid even greater attention to and accelerated Russia's evolution. Clinton even criticized the Bush administration for having been "too cautious" in assisting Russia. He encouraged the Western allies to take bold action on the assistance to Russia issue. He emphasized that "continued support for Russia to become a democratic country, enabling it to continue to move ahead toward market reform and reduction of the nuclear threat, is very much in our interest." If we save a little money now and Russia's reform fails, the United States will sustain incalculable damage. It will have to increase military expenditures greatly, and economically it will also lose the opportunity to enter Russia. Consequently, he deemed assistance to and support for Yeltsin to be an "investment" in America itself. Guided by this approach, Clinton took real action in two regards: 1) He became more positive about assistance to Russia. In May 1993 at a meeting between Clinton and Yeltsin in Vancouver, Canada, Clinton agreed to a package plan for increasing economic cooperation between the two nations. He announced that the United States would increase assistance to Russia from \$400 million to \$1.6 billion. In addition, he urged seven Western nations to promise \$43.4 million in assistance to Russia. In July of the same year, at the G-7 conference in Tokyo, Clinton also agreed to give Russia an additional \$3 billion assistance. When Yeltsin visited the United States in September 1994, the United States and Russia signed an "economic progress partnership" joint statement, as well as a series of specific agreements in which the United States agreed to provide \$1.6 billion assistance to Russia through international organizations. 2) In September 1993, the Clinton administration proposed an "expansion strategy" which generally aimed at using NATO as a nucleus for accelerating expansion of the Western "democratic system and the market economy system in the former Soviet Union and eastern Europe. Clinton emphasized the need to consolidate the changes that had already occurred in the "new democratic nations," and he wanted to bring the "eastern border countries into the Western security and values sphere." Next, in January 1994, Clinton proposed a so-called "peaceful partnership" framework plan through NATO. This was the specifics of the "expansion strategy." Now a total of 20 countries in eastern Europe and the Commonwealth of Independent States [CIS] are participants in this plan. The next step in the plan is to bring Poland, Hungary, and the Czech Republic into NATO. America's goal is to bring into the Western camp countries that were formerly in the USSR power sphere, including a thoroughly transformed Russia.

2. Recent subtle changes in U.S.-Russia relations

Since the second half of 1993, particularly following the October incident in Russia, a new, complex situation has occurred in Russia as manifested in the following: Western style shock therapy reform in Russia has failed completely; the power of opposition factions has risen; and a "new Russian nationalism" represented by Zhirnovskiy has raised its head. Yeltsin's domestic and foreign policies have encountered criticism. In particular, Russia's submission to Western methods has encountered domestic opposition. The Yeltsin administration also feels that leaning to the side of the West has not really gained great benefits. Many Western promises have not been honored. Consequently, Russia has begun to readjust its policy. Diplomatically, it has widened the distance from the West, paying particularly close attention to preserving Russia's important interests everywhere. Against this background, U.S.-Russia relations have changed markedly.

A) A clash between mutual interests occurred in matters affecting national security. Since the second half of 1993, Russia has begun to clarify its military security policy and defense sphere. In November, its military doctrine was published. This called for continued combination of nuclear weapons and a nuclear deterrent as the country's principal defense measure. Russia's defense sphere includes former Soviet territories, and defense policy acknowledges that when necessary, Russia might be first to employ nuclear weapons. During 1994, Russia also proposed a "near neighbor diplomacy" (foreign relations with the CIS), which holds a "special position" in Russia's foreign policy. At the same time, Russia also proposed the need to protect "external frontiers." The emphasis of both the "near neighbor diplomacy" and "external frontiers" is that the special position of Russia in former Soviet territories may not be disturbed. However, the West does not agree at all that Russia has the right to maintain its sphere of influence in former Soviet territories.

B) Russia continues to scramble for dominion in eastern Europe. Russia is a traditional European nation that is being pressed hard step by step by the United States. Russia is unwilling to withdraw from the European political stage. Consequently, on the issues of the European security mechanism and maintenance of peace in the Balkans, Russia opposes the United States vigorously, either openly or secretly.

C) Russia will act like a "world power" in bucking the interests of the West. Following the dissolution of the USSR, the United States clearly relegated Russia to the status of a "second-rate country," and wanted it to do things in line with America's aims. However, for the sake of winning big power status in the world, Russia clearly adopted methods that differed from America's on numerous issues in dealing with the European and Asian continents. Russia is still seeking to revive its influence in the Middle East and Africa, thereby making America unhappy.

3. Outlook for U.S.-Russia Relations

A) U.S.-Russia relations will continue mostly cooperative for a long time to come, with the United States occupying a dominant position in helping Russia. This is because for a long time to come Russia will remain in serious difficulties economically and be a shaky and unstable state politically. The general estimate, and the view of Russians themselves, is as follows: stability within three years; revival within 10 years, and a world power within approximately 20 years. During this very long process, Russia will be no match for the United States, and it will need America's help. Consequently, Russia will not become a threat to the United States.

The United States will not let up on the transformation of Russia. On the one hand, it wants to help Russia maintain its basic stability; at the same time, it wants to continue to limit and weaken Russia so that it yields to and does no harm to America and completes its transformation.

B) Contradictions between Russia and the United States on fundamental interests are difficult to reconcile; therefore, the United States and Russia will remain competitors.

C) U.S.-Russia relations contain numerous imponderables; relations between the two countries are currently far from "locked in." For example: 1) Russia's political situation is not fixed. Will Yeltsin be re-elected in 1996? 2) To what extent will Russian nationalist forces develop? 3) Will the United States truly be able to "steal" some countries in eastern Europe and in the CIS? 4) What progress will be made in the integration of the CIS? 5) What of America's own development, etc.? The world situation is still changing in the wake of the Cold War. As the strength of all parties develops, relations among the big powers are bound to undergo constant readjustment.

Liu Wenxiu [0491 2429 4423] (international political relations lecturer, Chinese People's University): I will talk briefly about the **evolution of diplomatic relations between Russia and the United States, and the outlook for U.S.-Russia relations**. Since the dissolution of the USSR, relations between Russia, as the leading successor nation to the USSR, and the United States have gone through different stages, namely close diplomatic relations with the United States during the period immediately following independence, to a widening of the distance from the United States, to attention to diplomatic relations all around, and on to the formation of a new situation of alternating cooperation and contention with the United States.

1. Efforts to build a goodwill relationship between Russia and the United States in order to win America's political and economic assistance. During the period approximately from the dissolution of the USSR to April 1993, both nations proceeded from their own interests. The United States and Russia developed a close friendly relationship during this period. In order to encourage Russia's smooth transition to a Western-style political

and economic system, the United States provided active political, economic, and diplomatic support and assistance to Yeltsin. After Russia's independence, Bush very quickly held two heads-of-state meetings with Yeltsin, and announcements following these meetings emphasized that "Russia and the United States do not regard each other as potential enemies," and "the nature of relations between the two countries is friendship and partnership." Right after independence, Russia adopted a pro-American foreign policy of complete alignment with the West and a swing toward the United States diplomatically.

Beginning to keep a distance from the United States even while maintaining a "strategic partnership" with the United States; stress on omni-directional diplomacy. This period was from approximately April 1993 to early 1994. Russia's pro-America diplomacy was unable to obtain in return the anticipated huge economic assistance; rather, Russia's own international prestige declined very greatly. Russia sank to the status of a "second-rate" country. The assistance that Western nations had promised was slow in coming. In economic and trade relations, the United States continued to apply to Russia a series of discriminatory policies it had applied to the former Soviet Union. On the Russian arms export issue, there was much friction between the United States and Russia. The United States instituted trade sanctions against Russia for providing India with \$250 million worth of rocket boosters. However, the Russian leaders made major concessions to the United States on economic policy, strategic arms reduction, and sanctions against Iraq. Not only did all this arouse intense dissatisfaction from opposition factions in Russia, but it also gave the power-holding faction no choice but to reassess Russia's own national interests and international standing. After intense controversy, all the factions in Russia reached a basic consensus about Russia's national interests and its international standing. "Basic Regulations on Russia's Diplomatic Policy Concepts," which appeared in April 1993, emphasized protection of Russia's big power status and consciousness of national interests, and highlighted "economic priorities" in foreign affairs. Accordingly, it strove to exhibit its own independence on international issues. For example, Russia used its veto power for the first time in the Security Council on the "Cyprus peacekeeping expenses" issue. On the Bosnia-Herzegovina issue, it opposed America's use of force and cancellation of the prohibition of arms shipments to the Moslems. It abstained on the Security Council's vote to institute further sanctions against the Yugoslav coalition. It played an active role as mediator of the Bosnia-Herzegovina conflict, taking the lead in proposing a four-point peace plan for solving the Bosnia-Herzegovina problem. It urged the UN to pass Resolution 836, a plan for setting up a security zone in Bosnia-Herzegovina. The "Moscow Declaration," issued following the U.S.-Russia heads-of-state meeting on 15 January 1994, said that relations between the United

States and Russia had entered a "new stage of mature strategic partnership" founded on "equality and mutual interest and recognition of the interests of each country." It showed that Russia had advanced a step in establishing an equal "partnership" with the United States and in establishing its image of independence and autonomy in international society.

3. Alternating cooperation and struggle increases intensity of big power diplomacy.

If one says that Russia expressed a certain independence of the United States in the past in order to safeguard its own big power status, principally on issues affecting its own important interests, or on issues of no great consequence to the interests of the West, then during 1994, Russia and the United States have begun to show marked contradictions and differences on some major, sensitive international issues. For example, in February and again in April, when the United States issued ultimatums to the Serbians through NATO threatening air raids, Russia strongly opposed them, and condemned the United States' behavior. It called upon the UN to discuss a political solution, and it expressed its dissatisfaction at not being a part of NATO's "partnership for peace" plan. On the North Korea nuclear issue, after the United States unilaterally proposed sanctions against North Korea, Russia issued a dissent calling for the convening of an international conference on security and denuclearization of the Korean Peninsula after which the sanctions issue could be studied further. Marked differences exist between Russia and the United States on the withdrawal of Russian troops from the three Baltic nations, on the Iraq question, and on NATO's admission of eastern European countries. On 11 November, President Clinton issued a directive stating that as of midnight on 12 November, United States forces would no longer carry out an arms embargo against the Bosnia-Herzegovina government. The CIS Duma immediately issued a strong denunciation and proposed that the Russian president and government face the new situation, adopting measures to halt America's destructive behavior.

Of course, the outbreak on one side of contradictions in Russia-U.S. relations does not mean that cooperation between the two nations has ended or declined to a secondary position. During 1994, cooperative relations between Russia and the United States continued to develop in concrete ways. Examples include the strengthening of military contacts between the two nations; Russia's participation in June in the NATO "partnership for peace plan;" and substantial advances in the economic field between the two countries, such as in investment and trade, and the holding of another heads-of-state level meeting. Indisputably, there are points of convergence in the national interests of the United States and Russia, and unavoidably there are points of contention also. The rise of nationalist forces in Russia and popular dissatisfaction with the current situation, in particular, result in Russia's diplomatic weakness

toward the United States becoming an important factor that has shaken Yeltsin's political foundation. Yeltsin has to readjust policies toward the United States. He must resolutely, and actively pursue Russia's national interests. The United States must also readjust its "Russia first" policy in Europe, realize that contradictions between the United States and Russia far from disappeared with the end to the Cold War, and look at policies toward Russia in terms of more realistic interests.

The 1996 Russian presidential election may introduce a new factor that changes Russia-United States relations. However, in view of the irreversibility of Russia's political and economic system reforms, and the trend of developments in the internecine political struggle in Russia, it is foreseeable that a pattern of both cooperation and struggle will continue in future Russia-U.S. relations. Because of its effort to win over Russia and prevent the expansion of its power, America's focus will be more on struggle than cooperation. While building and safeguarding its partnership with the United States, Russia will continue to promote "big power diplomacy" to maintain its big power position in the world and its independence in foreign affairs.

Yang Dazhou (*researcher, American Studies Institute, Academy of Social Sciences*): My subject is a **forecast of prospects for U.S.-Russia relations**. In addition, in order to enliven the discussion, I will also raise some dissenting views and ways of looking at points that some other comrades just made in their remarks.

First I want to talk a little about some international issues on which Russia has expressed a position different from that of the United States beginning in 1992. How is this to be regarded? I feel it is more sham than substance. Take the Bosnia-Herzegovina issue, which does have a substantial aspect—an aspect that affects Russia's interests, because Russia and Serbia have historical, traditional, and cultural ties. During the past hundred years, they have been allies. Nevertheless, overall, Russia's position is still more sham than substance. Russia will not have a falling out with the United States over the Serbs in Bosnia-Herzegovina. Some say that if the United States removes the arms embargo on Bosnia-Herzegovina, Russia will also remove its arms embargo on Serbia, and a major change will occur in relations between the United States and Russia. I do not think so. Even were this to happen, no major change would occur in U.S.-Russia relations. Think for a moment. Were Bosnia-Herzegovina to change completely into a Moslem country, just how much would that hurt Russia? Would the injury be greater to Russia or to the West? The appearance of an Islamic country in Europe that is also fundamentalist is something that the West cannot permit. The United States puts so much effort into supporting Islam because it is strongly ideological and anti-communist. In America's eyes, the Serbians and a diminished Yugoslavia are the same as the communist party. They are the sole Bolshevik island remaining on

the European continent. The Serbian ruling party has changed its name to Socialist Party, but it is still the communist party in fact. The Americans will not permit this, which is not to say that the United States has much good feeling for Islam. Naturally, on this issue, the United States must take into account its relations with Islamic countries, and it also has to consider the views of the U.S. Congress.

In talking about prospects and trends in U.S.-Russia relations, there is also a time factor. I am talking mostly about the next two years, because 1996 is a crucially important year for U.S.-Russia relations. Both nations will hold a major election. I believe that the **largest variable in U.S.-Russia relations is not in the United States but in Russia**. Various political factions are pitted against each other in the Russian political scene. If one uses the terms left, middle-of-the-road, and right that are used in the West, the leftist faction is the communist forces in various factions; the rightist faction is the ultranationalists such as Zhirinovskiy. Today, Yeltsin may only be termed a middle-of-the-roader. Nor is the Yeltsin faction entirely united; it may be divided into three main factions: One faction is pro-America and pro-West, represented by Gaydar and Burbulis. They advocate formation of an alliance with the United States in foreign affairs, and making major concessions to the West in exchange for Western economic assistance. They advocate gradually bringing Russia into the Western political and economic system. Another faction is the moderate reform faction, which advocates removal of the burden of 70 years of communist-party rule following the October Revolution, Russia becoming a democratic power once again. [sentence as published] This faction places great stress on the need for Russia to protect its own ethnic and national interests. It stands for Russia's adoption of a pragmatic foreign policy and building a partnership with the West, but not at the price of Russia's national and security interests. It is opposed to becoming America's little helper. The third faction is the hardline faction, to use the Western term. It includes Prime Minister Chernomyrdin, the minister of national defense, and the minister of state security, all of whom hold key positions in Russia today. They are fairly hardline both internally and externally, and they also have not forgotten the positions and the points of view of the communist party when it held power. Communist party members in this third faction want to take office once again, but it appears that their hopes of doing so are not great. The extreme nationalists want to take office, but the likelihood of their doing so is also not great. Possibly the moderate reform faction represented by Boris Yeltsin will maintain its rule in 1996. Among the three subfactions within the Yeltsin faction, the power of the pro-America faction may weaken over the next three years, and the strength of either the moderate faction or the fairly hardline faction (represented by Chernomyrdin) may increase.

Now I would like to express some differences in view. **The United States still recognizes Russia's big power**

status; it does not deny it. To digress slightly, how should one view the current world situation? I very much appreciate a statement by the late Mr. Zhou Jirong [0719 4764 2837], a research fellow in the institute, who said of the present international situation that it is one superpower and many strong powers. The superpower is the United States, below which is western Europe, in which Germany is gradually becoming the center, Japan, Russia, and China. Here I suggest not using the term big nation but rather power. The connotations of big nation are not precise. Some countries are big, but are not powers, while other nations are small, but are powers nevertheless. The term used during the time of the May 4th Movement is very precise: Down with the big powers, not down with the big nations. Just what is America's attitude toward Russia? Its basic policy is set: It wants to reduce Russia to a position of one of many powers, i.e., a second-rate power from the past position of the USSR, which sat as an equal with the United States and was the sole adversary threatening America's survival. The United States positively will not permit Russia to restore its might to that of the Soviet era or revive imperial Russia; however, neither does the United States hope for Russia's economic collapse and political turmoil, which would wreak havoc. This is because Russia still has strong nuclear teeth, and it also because only Russia can threaten America's security. If Russia's economy collapses entirely and there is internal chaos, the first thing the United States has to consider is what will happen to Russia's nuclear weapons. If they fall into the hands of a desperado, the results will be too awful to contemplate.

I have a somewhat different view on a point that a comrade just made. **Russia is America's main concern** in foreign policy, both as a country and in bilateral relations terms. Policy toward Russia absolutely takes precedence over policy toward any other country. This was so during the Cold War, and it is still so today now that the Cold War is over. It will continue to be so in the future (until 1996). The reason is very simple. Only Russia can do America in, i.e., it has the military capability to destroy the United States. America has economic problems with other Western countries, but these do not affect the overall situation. Diplomatically, the United States wishes that Russia would go along with America on major issues. Since 1992, Russia has expressed independence on numerous issues, has disagreed, and has wanted to act up. I believe the United States has gone along with this. The United States did not say that if you act up, I will bloody your nose. It is not totally indifferent to certain Russian interests. On Russia's interest in neighboring countries, for example, the United States adopts an attitude of tacit recognition. On Middle East issues, very clearly, it is entirely an American show, yet the United States gives Russia a little face. When Jordan and Israel signed an agreement in Washington lately, the United States included Russia.

The United States will not act too categorically. America's greatest wish is that Russia will Westernize completely. Its minimum wish is that Russia will not turn back, that a communist party will not take power again, and that Russia will not contest hegemony with the United States. The United States can accept a road between these two hopes. It is also a fact that Russia is not very likely to take either of the two extremes.

Following the mid-term election, the Republican Party won a majority in both the House of Representatives and the Senate. This will create very many problems for Clinton during the next two years, particularly in domestic policy. Health care, for example, is not likely to pass, and Clinton will also be hemmed in on foreign policy, but mostly regarding China, not Russia. There will be no effect or policy changes regarding relations with Russia. However, there may be on specific issues. U.S.-Russia relations and Sino-American relations are very similar in some ways. Substantive advances were made in Sino-American relations during the period when the most anti-communist, and seemingly relatively conservative (Chairman Mao said right-wing), Republican Party was in power. The Democratic Party followed in the footsteps of the Republican Party because the Republican Party had paved the way. It could not turn back. This is also basically true of U.S.-Russia relations. The distinctive political feature of the two American parties is that the Republican Party is fairly pragmatic, while the Democratic Party is liberal, has a fairly strong idealistic coloration, and emphasizes things such as value concepts. But when it comes to specific policy actions, it holds back and does not move ahead. Therefore, the results of the mid-term election may restrain Clinton somewhat on specific issues, but on policy matters, including China policy, no major change will occur. Some people believe that the results of the mid-term election may set back U.S.-Russia relations greatly, but I feel this is not possible.

I believe that **great attention must be paid to the state of Russia's economy now**. Russia has not yet found a transitional road suited to its national circumstances. A picturesque analogy was made during the Gorbachev era. Someone said that the change from capitalism to socialism had been completed overnight. It was like turning eggs into mayonnaise: a few whips, and that was that. Now, going from socialism back to capitalism is like turning mayonnaise into eggs. That is very difficult indeed. This analogy is not necessarily apt, but it is very vivid. More than 70 years after the October Revolution, Russian peasants no longer know how to farm individually. After more than 70 years of eating out of a large egalitarian common pot, old ideas about how to do business have been completely lost. Therefore, if Russia's economy gets worse and the people are discontent, inevitably the political hardliners will raise their heads. However, one also should not be too pessimistic about Russia's economic problems. This is because after more than 70 years of socialism, one cannot completely apply Western economic concepts to it, saying that when the

inflation rate reaches double digits, the people are bound to be discontent, or that when the unemployment rate reaches so much, disturbances are bound to happen and the government will be overthrown. The Russian people have clearly exhibited unusual tolerance, making extrapolation from theory difficult.

Jin Junhui [6855 0689 6540] (research fellow, Chinese International Problems Research Institute): Determining the state of an economy simply by looking at the numbers does not tell the whole story, because so many factors are involved. For example, the American economy is in good shape, yet the people are discontent. In Russia, the situation is bad, yet the people are able to carry on. Is Russia's economy really all that bad? Some scholars feel it is already on the mend. The political situation has begun to stabilize, and very many prerequisites for economic development are already in place. In the former Soviet Union, falsification consisted of purposely raising the figures. Today, falsification also occurs, but the figures are purposely lowered.

Yang Dazhou In recent years, Russia has uttered some remarks on international issues that are not in tune with the United States. The issue of the false and the true aside, another reason is that the Russian government is mostly concerned about the domestic situation. Numerous contradictions exist inside Russia. The government has to deal with the power of the Communist Party on the one hand, and Chernomyrdin, a rise in nationalist sentiment within the country, and the appearance of pan-Slavism on the other. Therefore, it has to make noise on issues such as Bosnia-Herzegovina and the Middle East in order to mollify the political power of the various factions in the country, particularly the opposing views of the Duma. This does not mean that Russia really wants to pick a fight with the United States.

Two points must be considered regarding American assistance to Russia. One is that in future, the United States will not continue to make large numbers of promises, to say nothing of supplying large amounts of assistance. This is because the United States has decided that Russia has already weathered the worst of the crisis. It has already turned to the Western path, so there is no need to spend all that money. Only when the Yeltsin regime truly faces a crisis will the United States genuinely consider assistance. Another reason is America's own difficulties. The burdens that the United States is carrying are very heavy. During the Gorbachev era, for example, every time the *NYT* opened its mouth, it wanted \$150 billion, or it was Yasser Arafat saying that he needed \$120 billion before he could do this or that. The United States has no intention of giving it, nor can it give it. America itself has an external debt of more than \$5 trillion. Even though it has come out of the ninth economic slump, which occurred during the half year before Bush stepped down, the American economy really faces a very big change of course. Very many situations have to be rethought by the end of the present century. Neither neo-Keynesianism nor neomonetarism can solve

its problems. Therefore, there will be no future promises of large amounts of American assistance, or seeming generosity to Russia. The foreign assistance bill just passed does not contain a lot of assistance for Russia, and one may conclude that none will be given in 1995.

Conflict and Friction in U.S.-Russia Relations

Ye Zicheng [0673 5261 2052] (assistant professor, International Politics Department, Beijing University): I will comment on conflicts, friction, and antagonisms in Russia-U.S. relations. Following the dissolution of the USSR, both Russia and the United States emphasized the building of a cooperative relationship, a peaceful partnership, and even a strategic partnership. Cooperation between the two nations on international affairs really did go beyond that of any period in previous detentes between the USSR and the United States. Nevertheless, from the very beginning, conflicts and frictions existed in Russia-U.S. relations, and as the situation changed, conflicts in the relationship increased steadily giving rise to frictions between the two, or even leading to antagonisms to a certain extent. This was manifested in the following 10 issues:

1. On the Bosnia-Herzegovina issue, Russia hoped to protect Serbia's interests, and it opposed America's removal of the arms embargo on Bosnia-Herzegovina.
2. On the CIS issue, in an effort to exercise its "special role," Russia opposed intervention by America and the West in the affairs of the CIS countries.
3. On the issue of eastern European countries entry into NATO, Russia opposed NATO's eastward expansion, and opposed entry by eastern European countries into NATO.
4. On the Middle East issue, Russia advocated relaxation of the embargo and sanctions on Libya and Iraq, but the United States hoped to continue to maintain strict sanctions on the two countries. Russia hoped to take an active part in the Middle East peace process, but the United States planned to play the main role itself.
5. On the three Baltic states, Russia hoped to maintain its military presence in that region, but the United States repeatedly exerted pressure to encourage withdrawal of its troops.
6. On assisting Russia's reform, Russia made oral promises to the United States that it would assist, but actually did little.
7. Regarding the arms and weapons market, Russia not only intended to maintain the traditional USSR markets, but it also intended to enter the Thailand and Malaysia weapons markets; and the United States expressed opposition to Russia's sales of weapons to China, to providing satellite-launch technology to India, and to weapons sales to other countries.
8. On the nuclear testing issue, Russia rejected America's proposal for a 10-year limit on the total nuclear test ban

treaty, proposing instead the signing of an unlimited "perpetual complete nuclear test ban treaty."

9. On the North Korea nuclear issue, Russia called for the convening of an international conference that would enable Russia to participate in solving the Korean nuclear issue, but the United States paid no heed. It independently reached a framework agreement with North Korea.

10. On Russia's international standing, Russia sought to revive its world great-power position. It was extremely dissatisfied about the failure of the United States and the West to treat Russia as an equal and their rejection of Russia's great-power role.

The existence of these conflicts, frictions, and antagonisms overshadow the "cooperative partnership" that Russia and the United States emphasize, and they will have a long-term effect on relations between the United States and Russia. How should the effect on Russia-America relations of these conflicts, frictions, and antagonisms be regarded?

First, these conflicts, frictions, and antagonisms differ in character from the former across-the-board confrontational relationship between the USSR and the United States. **They will not develop into an across-the-board confrontation between Russia and the United States.** Therefore, the effect of these conflicts, frictions, and antagonisms on Russia-U.S. relations will be limited. This is because confrontation between the two great powers hurts the basic interests of both. This also means that, to a very large extent, these conflicts, frictions, and antagonisms can be mediated, coordinated, and resolved.

Second, these conflicts, frictions, and confrontations are long-term, some are even serious, and they may lead to partial, limited confrontation. This is largely because there are also major differences between the interests of Russia and the United States. For the United States, a relatively not-so-strong Russia is consistent with America's security interests; therefore, America's proposal for building a partnership with Russia has the following three premises as conditions: 1) Opening, pluralizing, privatizing, and democratizing Russia; 2) Russia must maintain its existing territory without expansion, the various countries of CIS not reverting to Russia, and it must practice so-called "geopolitical pluralization"; and (3) disarmament and nuclear arms reduction.

For Russia, however, becoming a complete Western nation is very difficult, and privatization and democratization will also be a dauntingly long historical process. Because countless ties bind the CIS nations, Russia will be very hard put to free them entirely from its influence and control. More important, both Russia and the United States feel that it carries a "major responsibility" for world order. The United States has repeatedly proclaimed that it must play a "leading role," and Russia has also stated many times that it is a big global power;

therefore, clashes of interests are bound to exist between these two nations having great nation chauvinist tendencies, and these clashes have a certain confrontational character as well. The compatibility of Russia's and America's ideology and value concepts cannot eliminate the possibility of such clashes inasmuch as it is not ideology but the vital interests of both nations that ultimately determine relations between the two. Superficially, the former confrontation between the USSR and the United States was a confrontation between socialism and capitalism, but actually it was a confrontation between the two great powers for world hegemony. In this sense, the conflicts, friction, and confrontations between Russia and the United States are a continuation, to a certain extent, of the conflicts and antagonisms in the former relationship between Russia and the United States. Although Russia has given up on the seizure of world hegemony, the consensus of the Russian government and the public is revival of Russia's world great-power status. Russia positively will not accept a role as a second-rate nation subservient to the United States, nor will it place itself in an equal position with other medium size and small nations. It should be said that Russia's efforts to raise its position in international society following the end of the Cold War, and particularly following the dissolution of the USSR, makes sense, but it also contains an element of striving for big-power domination.

Third, the trend of future change in the conflicts, friction, and confrontations in Russia-U.S. relations will not be toward not weakening and lessening but possibly toward strengthening and developing. There are three reasons: First, the conflicts in Russia-U.S. relations today are manifested largely in politics and foreign affairs. As Russia's economy revives and blends increasingly into the world economy, economic friction between Russia and the United States will also increase. Second, Russia's power has weakened greatly because of the dissolution of the USSR and internal political and economic crises; consequently, when frictions between Russia and the United States occur over international matters, Russia has to yield more, but once Russia's former strength revives gradually, it will use tougher means to protect Russia's interests, so the possibility for friction between the two nations will increase as well. Third, following the end of the Cold War, the United States became the sole superpower, performing a military policeman role in world affairs, and also arousing discontent in many countries. These countries hope that Russia will be able to play a role in maintenance of the international political power balance. This may also put Russia in a position in which greater conflict with the United States occurs.

In short, the conflicts, frictions, and antagonisms in Russia-U.S. relations will have a major effect on these relations. These factors will not go beyond peaceful and low intensity confrontation; however, at the same time, they may be a major factor in changing the present so-called cooperative partnership, strategic partnership,

and ally relationship between Russia and the United States into a normal great-power relationship.

Jin Junhui: I will offer views on relations between the United States and Russia. The increase in conflicts, friction, and clashes between the United States and Russia about which everyone has just spoken are a reflection of Russia's striving for great-power status and the rise of nationalist tendencies, as well as Russia's expression of independence from the United States, etc. Naturally, this is as it should be, but is it very special? Is it abnormal? One must say that relations between the United States and Russia during the past several years have not been normal, but they are now moving in the direction of a more normal relationship between nations. When a powerful USSR suddenly dissolved into more than 10 nations, such a chaotic situation occurred that maintenance of that strength became impossible. Now, after several years of internal struggle, particularly following the national parliament incident in October 1993, the political situation has gradually stabilized somewhat. In addition, thanks to several years effort, some advances have also occurred in economic reform. Although problems remain very serious, they are not the same as immediately following dissolution of the USSR, in addition to which the impetus of nationalist sentiment is bound to evince great-power status. In addition, Russia has its own national interests, and in normal relations between nations, every nation strives for its own national interests. Of course, during the lovefest and honeymoon period, the emotional component was greater, but now that the honeymoon is over, it must be said that U.S.-Russia relations are gradually moving from what was not a very normal relationship to a normal relationship. I will be more specific about this later on.

1. Mutual relations between the United States and Russia, and mutually corresponding policies.

A. The key issue in mutual relations, and also the issue of greatest common interest is completely changing Russia's economic and political course, and beginning to build a capitalist Russia that becomes a member of the capitalist system. This is also the goal of the mainstream faction in Russia's political arena.

B. For the United States, how to handle Russia is a strategic matter of fundamental importance, because this is necessary to the consolidation of the fruits of the Cold War, and it is an issue for America's future long-term security. Richard Nixon was right when he said that Russia must remain a power in the future, but it makes a very great deal of difference whether this power is friendly or hostile toward the West. Therefore, how to handle relations with Russia is a long-term policy, and Clinton has not wavered on this issue.

CC. Changing course has become the basic goal of the Russian regime today, which is to say the basic goal of the Russian mainstream faction's political power. Realization of this goal requires the political and economic support and assistance of developed Western nations

headed by the United States. Economic assistance includes the hope that the West will deal with Russia as an equal in the future, that there will be a mutual opening of markets for trade, a cancellation of discriminatory policies against Russia, according most-favored nation treatment, etc., permitting greater investment in Russia of American private capital. Looked at from another angle, an extremely expensive price will have to be paid for a weakened Russia to engage in a new confrontation with the West. Russia's basic strategy should be "conserve strength and build up energy."

D. In the process of making this change of course, both parties realize that Russia's domestic situation must be stabilized. The fundamental prerequisites are gradual stabilization of the economy (stabilizing the value of the currency, first of all) and an upturn that is, moving beyond halting the slide and decline in the people's standard of living to bringing about an upturn. Therefore, Western assistance must be given for a certain period. This money must be paid. For some time, the balance of power will be one in which the United States is strong and Russia is weak, contention between Russia and the United States since their interests differ, and struggle for revival of Russia's great-power position, which will be kept within certain limits. When the struggle reaches a certain point, Russia will still have to come to terms, because the balance of power will require it. For example, with the entry into a peaceful partnership, in the final analysis, struggles over military exercises and the withdrawal of forces from the Baltic Sea will be compromised, because the balance of power will require it.

E. It must be realized and affirmed that Russia's change of course toward a capitalist system is a long-term program in which vacillation and detours will occur, it will center throughout on the above main axis, and it will not depart from this main axis. This will ensure that the dominant aspect of relations between the United States and Russia will be partnership and cooperation. This is fundamentally different from the confrontation and struggle for hegemony that was the dominant aspect of relations between the United States and the USSR during the Cold War.

F. Both the United States and Russia have placed good handling of relations between them in the forefront of their own foreign policies. Both America's "expansion" strategy, and the "six major strategic emphases" demonstrate the high degree of attention that the United States gives to its policies toward Russia.

G. The strategic significance of America's view of U.S.-Russia relations as a partnership is as follows: 1) Elimination of the main nuclear threat and the threat of a proliferation of nuclear materials and nuclear technology; 2) further establishment of the leading position of the Western value system in the world, i.e., the "new world order" under leadership of the United States; 3) Russia is a huge market—a matter affecting America's

basic economic interests; 4) a necessary underpinning for establishment of America's dominant position in the world and in Europe. America requires Russia's cooperation and support for the maintenance of its dominant position as the only superpower, and for maintenance of its dominance in European affairs.

Some say that the policy of the United States and the West toward Russia is to keep Russia "weak but not chaotic." Is this the case? Is this a subjective desire or a real policy? In fact, it is an intention. It is the best result that the West hopes to attain. It is not a realistic Western attitude. A realistic policy remains assisting Russia and encouraging its change of course to become a member of the Western system. This is a primary, most salient, and long-range policy. In addition, it is an objective fact that Russia will become a power after changing course. This is bound to occur. It is not a matter of whether the United States likes it or not, nor is it something that the West can decide to stop. Therefore, any thought of keeping Russia weak but not in chaos is like trying to have matters both ways; it will not work. Consequently, the West today is not sitting around every day in fear of Russia's growing might, but is watching the reality of Russia's becoming stable, changing course, and privatizing.

The truly intimate details of U.S.-Russia relations we do not necessarily know. In their military relations today, the United States and Russia are doing many things. The United States is helping Russia dismantle nuclear warheads, is in process of helping Russia change from military to civilian production, and is helping Russia transform its armed forces, which means changing the former communist party-led armed forces into a non-politicized military force. In addition, defense ministry officials from both sides have gone to each other's country to report on their own country's nuclear policy. Mutual military visits have increased.

2. The position of U.S.-Russia relations in today's world pattern.

A. The Russian influence question. Russia is a permanent member of the UN Security Council; a powerful nuclear nation; a big country in terms of territory, population, and resources; has important influence and historical ties internationally; has plentiful scientists and technicians; is the leader in some basic and applied fields (such as space navigation and ordnance products); has a strong economic foundation; has a developed university educational system; and has engineers in abundance.

B. Russia's internal and foreign policies and how they change, as well as Russia's standing in the new world lineup, have great significance in the world power balance and world stability, and is out of the common run.

C. Objectively, other big powers are striving to have good relations with Russia today, and to influence its internal development, thereby increasing their own influence and room for maneuver, regionally for some, globally for others.

D. Russia's own indecision increases the complexity of international relations.

E. If the United States is to maintain its Cold War fruits and dominant position as the only superpower, it must work with and support the Westernization of Russia.

3. What are the main differences between U.S.-Russia relations and U.S.-China relations?

A. Relations between the United States and China are equal and fairly fixed. This seems not to be the case for relations between the United States and Russia. Past U.S.-Russia relations have not been equal and the element of uncertainty has been somewhat greater with Russia. In relations between the United States and China, and between the United States and Russia, which antagonism—which is to say which relationship is more likely to develop into an adversarial relationship—is greatest? Ideologically speaking, antagonism is clearly more conspicuous between the United States and China. The United States has not raised democratic issues or the human rights issue with Russia. But just how much does the ideological factor matter? Who really has the more damaging conflicts? Both have, of course. For example, nuclear proliferation problems, nuclear testing problems, Taiwan and Tibet problems, etc. exist between China and the United States. However, in the capacity to threaten the United States militarily, Russia is far ahead of China. In addition, who has the greater real economic benefits? Real interests between the United States and China are also greater than between the United States and Russia. Therefore, overall, if one says that there is both cooperation and differences in principle between China and the United States, and that cooperation and common interests are greater than differences, U.S.-Russia relations definitely go beyond this. Therefore, I feel that maybe we are regarding differences, conflicts and friction between the United States and Russia too seriously and too greatly. This overemphasis may stem from the influence of past United States-USSR relations continuing to play a role in our brains. Have we possibly underestimated the changes that have occurred since the dissolution of the USSR? Or might we not have overestimated the abnormality of U.S.-Russia relations at the beginning only to feel afterward when relations became normal that a very great change had occurred. A correct view of the conflicts in U.S.-Russia relations will enable us not only not to have too many illusions when we make an analysis, but to use the analysis properly.

The Separate Strategic Estimates and Policy Orientations of the United States and Russia

Tang Xiuzhe (senior correspondent, XINHUA). I will express some thoughts about America's policy toward Russia and Russia's policy toward America.

First, how does the United States view Russia? One statement by William Perry, U.S. secretary of defense, pretty well shows the United States' view of Russia. He

believes there are two diametrically different possibilities for Russian development. The best possibility is the appearance of a completely democratic and market-oriented Russia. Although such a Russia would be closer to and more similar to the United States, by the same token, its position would vary from America's interests. It would be an ally of the United States like the UK, France, and Japan, but while maintaining a partnership, it would also likely be a rival and a competitor. The other estimate is the worst case scenario in which Russia would become a country hostile to the United States, authoritarian, imperialist, and militaristic. Then the Cold War-era situation would re-ur. Perry believes that although Russia no longer has the Warsaw Pact, it still has tremendous power. Of course, Perry's estimate is a bipolar one; actually a middle-of-the-road situation could occur. Nevertheless, even if it is a bipolar estimate, conflicts and clashes between the United States and Russia could occur. This is a basic aspect of America's estimate of Russia. In general, United States policy toward Russia is still one of restraint. The U.S. desire to make the Baltic states a part of NATO is very clear, and NATO's desire to expand eastward should not be underestimated. This is a very large matter for Russia's national interests and national security.

The second issue I would like to talk about is that since the Cold War, Russian policy toward the United States, and U.S. policy toward Russia have been based largely on national interests. However, comparatively speaking, the United States still places more emphasis on ideology, which is to say, it gives a fairly important position to the direction in which Russia is developing. Russia has already abandoned illusions about the United States giving it a large amount of economic assistance. Not long ago, a Russian scholar told me that he attended a meeting in the United States where a noted American, who did not know a Russian scholar was present, put all his cards on the table. He said, "We can promise assistance to Russia, the CIS, and eastern Europe, but we cannot give it." At crucial times, such as in Canada in 1993 when Clinton met with Yeltsin, he promised to give assistance, because he realized that if people like Khasbulatov came to power, they would topple Yeltsin, and this would be very disadvantageous to the United States. Therefore, he had to lend a helping hand to Yeltsin; however, after making the promise, how much he delivered is still a big question. Russia also sees through this; therefore, it reminds the United States not to discriminate against Russia. It demands relations on the basis of equality and mutual interest. America's economic cooperation with Russia is premised on Russia's guaranteeing liberalization of foreign trade, conversion to a market economy, and democratization. Furthermore, American investment today is for the development of strategic raw materials such as petroleum and natural gas, which is in the real interest of the United States.

Third, I believe that relations between Russia and the United States and their policies toward each other are determined by changes in the political situation inside

Russia. In addition to the nationalism and economic issues, I would like to add the effect of political struggles. The possibility of delaying the 1996 general election is not very good; in fact, campaigning has already begun. The following three situations cannot be ruled out: The first is that the radicals represented by Gaydar may win; the second is that the nationalists may win; and the third is that the moderates may come to power. It is very difficult to predict who will become president; actually various unexpected "dark horses" may appear. Which faction holds power is fairly crucial to future Russia-U.S. relations. The major orientation is easy to predict. It will be very difficult to change the market economy with the Communist Party holding power; however, if the extreme nationalists come to power, the situation may develop very differently. Possibly economic reform plans will not change, but the speed with which they are carried out, their content, and the methods used may change very greatly. I believe that during the campaign stage in the run-up to 1996, foreign policy will evoke controversy. Today, every faction (including Yeltsin's) recognizes the need to restore Russia's great-power status. This is a consensus. However, there is still a pro-West force inside Russia. Some young Turks still have very great respect for the American model. Should this faction come to power, U.S.-Russia relations will develop very well. If the conservative nationalist faction comes to power, the situation will likely change very greatly. These political factors are fairly crucial. In the final analysis, Russia is continuing a good many things from the USSR; changing them is very difficult.

Fourth, I would like to make some additional remarks about the economic situation. Chernomyrdin has now proposed revising Russia's policies, putting a new tough program into effect. Let us look at just what this includes. Very many Russian and Chinese scholars are very pessimistic about Russia's economic prospects. They feel a rather long time will be required for Russia to extricate itself from a difficult situation. Nevertheless, Chernomyrdin has proposed a three-year plan that calls for stabilization next year, halting decline the following year, and an upturn the year after next. He has made this promise obviously because he has seen the light at the end of the tunnel. Certainly, Russia cannot remain in a depressed state for a long time. Right now, everyone is seeking ways for Russia to get out of its predicament. Whoever finds this miraculous cure will be able to take power. Recently, a number of renowned personages inside Russia, including Medvedev and Shatalin wrote a series of articles proposing a number of pertinent ideas.

How should the Russian government's reorganization and Chernomyrdin's proposed budget and three-year plan be viewed? Today, one can detect some evidence that Russia may want more to introduce a market economy system. Take privatization, for example, which originally called for purchase of a 10,000 ruble bond by each individual. Actually, the government did not get the money; instead, it had to pay a large amount of money to the citizenry. Now privatization requires a change to

money, that is use of the market and shares, which means it wants to recover the money from the citizenry. Russians at home and abroad have a lot of money. How can a policy be drafted that will mobilize this money for the production field; how can the investment and taxation system be changed so that it will attract more domestic and foreign investment, and introduce more market regulation. It must be said that in economic reform, Russia tends more toward being conservative rather than introducing the market more. Thus, it is very hard to get out of difficulties. Chernomyrdin's three-year plan may be a little too optimistic. Structural reform is very daunting. Very many problems may occur, but it may also give impetus, particularly if emphasis is placed on attracting domestic and foreign investment in production. Therefore, I would guess that within the next several years, Russia may do more economic diplomacy with the West. The signs have already appeared. The talk during the Italian prime minister's visit to Russia was about economic cooperation. When Yeltsin went to the United States, the talk was also about economic cooperation. Therefore, Russia may make fairly large strides in economic cooperation with the West. A very crucial element in attracting foreign capital is domestic stability. It now appears that in order to campaign for the presidency, the political forces of all factions want to maintain stability. This may have substantial effect on both Russian and American policy, i.e., greater attention to contacts with the United States in order to attract Western investment.

Russia has said it wants to join the Asia-Pacific Economic Cooperation [APEC] organization in order to expand its economic markets for greater tangible benefits. Russia's keenness on removing sanctions on Iraq is also for the purpose of enabling Iraq to repay its debts to Russia. Therefore, for some time to come, Russia's policy toward the United States will be rather pragmatic, more emphasis paid to gaining some tangible benefits.

Qian Chunyuan (research fellow, Chinese Contemporary International Relations Research Institute): My topic is the Russia factor in America's security strategy.

1. First I will say a few words about America's understanding of the post-Cold War security threat, including consideration of the Russia factor. In today's world, the security threat to the United States is not as evident as at the time of the Cold War (when it was mostly the USSR), and it is uncertain and pluralistic. The United States is concerned with four points pertaining to the Russia factor.

A. The rise within Russia of nationalist and chauvinist forces as well as the collapse of Russia's "democratic process" are the "greatest security threats" that the United States is facing. Furthermore, Russia has a traditional influence on eastern Europe that plays a crucial role in the democratic process in central and eastern Europe.

B. The proliferation of both weapons of mass destruction and sophisticated conventional weapons in the wake of

the Cold War adversely affect important American economic and strategic interests. The loss of Soviet nuclear weapons, and the smuggling of nuclear raw materials might be a major threat to America's security if they fall into the hands of radicals or terrorists.

C. The disarray in the former USSR continues, will lead to further armed clashes, and will have an adverse affect on neighboring territories.

D. The only country in the world that poses a potential military threat to the United States is Russia. Russia is still a big nuclear power. Russia's military machine remains one of the world's most powerful.

2. On the basis of the foregoing considerations, the following methods have been adopted for maintenance of America's security strategy:

A. Maintenance of strong American military forces to ensure deterrence of attack by any potential military threat.

B. Bring Russia within American security strategy as the most reliable way to ensure American security. This includes: 1) Use of the peaceful partnership plan to integrate Russia into the European political security set-up in an effort to end Russia's threat once and for all; 2) use of joint American-Russian military exercises to increase U.S.-Russia military interaction and cooperation; 3) use of assistance to Russia's steady reform, privatization, conversion of military-oriented enterprises to civilian production, and nurture of "democratic forces" so that progress in Russia's democratic reform will not be reversed.

C. Use to advantage Russia's influence and role in former USSR territories under certain conditions to restrain the spread of conflict within the territories of the former Soviet Union.

D. Close attention to geostrategic balance. The centerpiece of America's long-term strategy is consolidation of geopolitical pluralization in the territories of the former USSR; therefore, emphasis is on supporting reform in the Ukraine and Belarus, and on encouraging cooperation among central Asian territories in order to restrain Russian tendencies toward great nation chauvinism.

E. Enhancement of U.S.-Russia cooperation on nuclear nonproliferation; improving security measures for nuclear facilities and nuclear weapons in territories of the former Soviet Union, and both preventing and cracking down on the smuggling of nuclear materials. Ask Russia for further voluntary reduction in nuclear weapons.

Yu Hongjun [0060 3163 0689] (director, Central Asia Department, Eurasia Bureau, International Liaison Department, CPC Central Committee): I will talk about the guiding thought behind Russia's America policy and the practice of foreign relations I think there is an issue that should be studied, and that is whether Russia's

recent policy of inclining toward the West is a consummate strategy. Russia's pro-Western foreign policy is a fact, because the economic difficulties that dissolution of the USSR brought fell largely on Russia's shoulders. The democratic faction pins its hopes on Western assistance; it has had to seek help from the West. However, when it first became independent, Russia did not have, by any means, a defined, complete, systematic foreign affairs strategy, and now it has to readjust to an omnidirectional strategy. The situation was in a big mess, because foreign assistance was really needed for Russia's economic difficulties. Therefore, Russia made concessions for the sake of overall interests, and it behaved obsequiously, not scrupling to trade political concessions for economic assistance. This was the general approach, but the pace was jerky. It was not demanding, and only after the fact was a diplomatic blueprint worked out etc. After a process, a foreign affairs ideology has slowly taken shape.

1. Relations between the United States and Russia hinge on the overall world situation, the comparative strength of both parties, and their corresponding international position.

A. U.S.-Russia relations as a follow-on to U.S.-USSR relations. Although U.S.-Russia relations are neither as deep or as broad as U.S.-USSR relations were, they retain very many traces of U.S.-USSR relations. For example, both parties give paramount foreign policy position to the other party.

B. In the present world of greater interdependence among nations, relations between the United States and Russia are no exception. For example, solution to the nuclear arms reduction problem still requires mostly contact between these two nations. Solution to major international problems such as the Bosnia-Herzegovina and Middle East problem still requires the United States to take account of Russia's influence.

C. The United States is the greatest factor for intervention in the world today, and Russia is the greatest uncertainty in the world today. Nevertheless, Russia will still be a major world power; therefore, U.S.-Russia relations are bound to be global. However, by comparison with U.S.-USSR relations in which the two sat as equals, current U.S.-Russia relations are tilted. One is a superpower, the other is a power. Their positions differ. This makes relations complex—cooperative at some times and at odds at others.

D. Both nations have developed individual global strategies based on their own international positions and influence. Although relations between the United States and Russia are not as sharply opposed as relations were between the United States and the USSR, strategically speaking, the relationship is no partnership, much less an equal partnership. Although America's strength does not match its ambitions, it seeks domination of world affairs nevertheless. Although weak, Russia still does all possible to control a minimum sphere of influence in the former Soviet territories with which its own interests are

closely tied. It maintains its own considerable right to speak out on world affairs. Russia greatly emphasizes that without consulting it, no world problem can be solved.

2. Although there are elements of mutual support in relations between the United States and Russia, there are also elements of mutual exclusion. Because of Russia's need for the United States at the present time, the cooperation aspect is expressed more concretely and more fully. Should the mutual support element gain the upper hand in relations between the United States and Russia within a certain period, the trend toward cooperation will become more marked. Should the mutual exclusion element gain the upper hand, conflicts will become more prominent. This is subject to change. The mutual exclusion elements in U.S.-Russia relations puts a damper on the development of relations between the two nations. This element is rather marked in the territories of the former USSR, which Russia regards as its own power sphere, and which is, at minimum, the first buffer zone with western Europe. Second is the former eastern European area, which Russia regards as its own sphere of influence, and which is, at minimum, the second buffer zone with western Europe. In these areas, Russia is bending every effort to prevent American and European encroachment.

3. Future development of U.S.-Russia relations depends on the situation in each country and changes in external conditions.

A. Development of relations between the United States and Russia will depend on tolerance for Russian use of political concessions in exchange for economic assistance. It will also depend on the degree to which the United States honors its promises of assistance.

B. Development of U.S.-Russia relations depends on changes in the balance of the various political forces in Russia, and naturally it also depends also on changes resulting from the mid-term elections in the United States.

C. Development of relations between the United States and Russia depends on the direction in which changes in the Russian economy and political situation move. It depends on whether Russia will advance in the direction that the United States has designed.

D. Development of relations between the United States and Russia will also be influenced and restricted internationally by the UN Security Council permanent member states, the seven Western nations bloc, and particularly by big powers like Germany and Japan. For example, assistance to Russia that is dependent on the United States alone will not provide much money. The attitude of other big powers toward Russia and toward U.S.-Russia relations also has considerable influence.

Various Factors Affecting U.S.-Russia Relations

Guo Simian [6753 1835 0517] (*Peace and Development Research Center advisor and research fellow*): I will talk

about two factors that affect U.S.-Russia relations, one of which is Russia's internal economic situation, and the other of which is the nationalist trend.

1. Slowness in getting out of its economic crisis has forced Russia to appeal to the United States and western European countries.

Some positive events occurred in Russia's economy during 1994, but the crisis has not yet really eased. One event was marked decline in the inflation rate, but this was achieved by shrinking the money supply, which led to a serious triangular debt problem among enterprises and a dramatic fall off in production. Second, although the exchange rate between the ruble and the dollar fluctuates, it tends to be stable. Third, a favorable balance of foreign trade has come about, but this has been won by reducing imports and increasing export of raw materials. Fourth, market supply is more plentiful than formerly. Fifth, wages have begun to catch up with inflation. The Russian government is very optimistic about this, but the Duma is very pessimistic. The ruble crisis in early September 1993 showed this superficial "stability" to be extremely fragile.

Longstanding and pervasive negative economic factors suggest no cause for optimism about Russia's economic prospects:

A. The economic slide has not yet bottomed out. It is likely to intensify during 1994. During the first 10 months of 1994, industrial output fell 21 percent; thus, the slide in industrial production, which began in 1991, has been more than 50 percent.

B. The investment rate has maintained a tremendous decline. During the first half of 1994, investment in capital construction continued a 12-percent decline. Nearly 60 percent of Russia's industrial equipment is worn out, with no prospect of replacement in the near future. This seriously hampers the revival of production. At the same time, large sums of money are in the hands of private Russian citizens, but it is not invested in production. Reportedly, idle capital in the hands of citizens amounts to \$20 billion, but savings accounts abroad of Russian businesses and private citizens are even higher at \$54 billion. The government is unable to control this.

C. Enterprise triangular debt has mounted to more than 100 trillion rubles—several times higher than their account balance. An American magazine estimates Russian enterprise triangular debt at \$45 billion.

D. The investment climate is very bad, policies change frequently, and very little foreign investment enters the country. According to official Russian statistics, as of the end of 1993, a total of only \$2.7 billion in foreign capital entered Russia, which is peanuts for Russia.

E. Foreign debt is heavy, and the government's ability to pay is weak. Statistics show a foreign debt of \$147 billion owed to Russia, but an overwhelming majority of it is

bad debt that cannot be recouped. Meanwhile, Russia owes a foreign debt of \$83 billion, most of it to the West. Russia is supposed to repay \$32 billion of foreign debt in 1994, but the government can repay only \$4.7 billion.

A report that Russian scholars recently prepared says that revival of Russia's economy will go through three stages: 1) Between two to three years will be required to halt the decline in production and stabilize the economy; 2) 10 years will be needed for structural readjustments to restore the economy to the pre-crisis level (the 1989 level); and 3) only then will high speed development of the economy become thinkable. On the basis of this estimate, the emergence of Russia's economy from the bottom of the trough and restoration of growth will not occur until the next century. This cannot but have an effect on future Russia-U.S. relations.

2. Effect on Russia-U.S. relations of the nationalist trend in Russia.

The Russian people have a strong sense of self-respect. Formerly, the Soviet Union was a large superpower equal to the United States. Since the dissolution of the USSR, the Russian political situation has been unstable, the economy has been very bad, and the country's international standing has deteriorated dramatically. It has to depend on Western alms economically, and it has to take its cue from the West politically. In territories of the former Soviet Union, 25 million ethnic Russians residing in the various republics suddenly plummeted from their position as older brothers to that of a despised minority nationality. Every Russia is greatly resentful about this. The strong sense of national humiliation and feeling of crisis has sparked a nationalist trend in Russian society that has strong momentum and that is hard to suppress.

This trend is manifested conspicuously in a change in the attitude of the Russian public toward the United States. When Russia first became independent, the country pursued a foreign policy of leaning to the side of the West, but what it received in return was nothing more than humiliation and disappointment. During the past two years, the West has made numerous promises of assistance to Russia, but few have been honored, in addition to which many harsh conditions were attached. In 1992, the West promised Russia \$24 billion, adding another \$43.4 billion in 1993; however, the Russian prime minister has said that so far Russia has received only a credit of \$3 billion. In addition, the West still maintains numerous restrictions on trade with Russia. The United States has yet to grant most-favored-nation status to Russia. On the eve of a visit to Russia in 1994 by American President Clinton, U.S.A. TODAY surveyed the Russian public's attitude to the United States, the results of which showed that by comparison with two years earlier, "the Russians changed their view of the United States. Their feelings changed from excitement to anger and disgust. Virtually no one wanted Clinton to come to Moscow."

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Faced with the rising tide of nationalism, every politician must fly the flag of nationalism in order to win public support if he wants to maintain Russia's unity, advance reform, and rejuvenate the economy. Developments during 1994 show a marked reflection of nationalist sentiment in the words and deeds of Russia's leaders and politicians. Their tougher attitude toward the West also demonstrates this point.

Without doubt, the above two factors have an important influence on U.S.-Russia relations. In its future foreign relations, Russia will continue to promote "great power diplomacy" in an effort to revive Russia and establish Russia's great power position. However, economically, Russia will rely on the West. It will continue to intensify the development of relations with the United States and Western countries, seeking to become an equal member of the developed nations club, and it hopes to obtain more economic benefits from the West. In May 1994, a Russian scholar said frankly: "The objective reality is that the large-scale investment and new technology that Russia needs can come only from the West today. Whether we like it or not, the United States plays a crucial role in this regard." Henceforth, on issues affecting the interests of Russia and its people, Russia's stand will tend to be tough; it will distance itself somewhat from the West. However, it cannot stalemate relations. In June 1994, Russia signed a "peaceful partnership" agreement with NATO, and in September, a joint Russian-American military exercise was held on Russian soil. First, Russian Prime Minister Chernomyrdin and then President Yeltsin visited the United States. These events demonstrate that Russia's overall foreign affairs plan is "the West first, with concurrent attention to the Orient."

Yu Sui [0205 6706] (*director, International Problems Research Institute, Capital Iron and Steel Research and Development Corporation*): Relations between the United States and Russia are a major issue having an important global impact on contemporary international relations. I would like to talk about various factors promoting and limiting relations between the United States and Russia.

1. U.S.-Russia relations and the world pattern, and the two nations comparative strength and corresponding international standing are closely related.

A. The end of the Cold War marked the end of the era in which two big powers, the United States and the Soviet Union, decided world affairs. U.S.-Russia relations remain, to a substantial degree, a continuation of U.S.-USSR relations. Though they cannot compare in their depth and breadth, vestiges of past U.S.-USSR relations remain very deeply imbedded. For example, both countries give paramount position to the foreign policy of the other. They regard each other as their main negotiating adversary, competitor, and even the greatest potential enemy.

B. In today's world in which mutual dependence among all nations is increasing with each passing day, U.S.-Russia relations will also be controlled by this imperative. This is a reason why cooperation between the United States and Russia will increase. We must observe and study U.S.-Russia relations in terms of this overall trend.

C. The framework for the world lineup today is "one superpower, many powers." The relationship between the United States and Russia remains one of "one superpower" and "one power." They do not have equal weight; there is some tilt, so naturally they are not equal, and this causes some conflicts and squabbles. The United States is the sole superpower. It is the greatest factor for intervention in the world today, even though it too has become weaker. Russia carries on most of the legacy of the faded and dismantled USSR. Some Russian scholars term Russia only a regional big power, but Russian officialdom denies this, supposing itself still to be a world-class great power of crucial importance. They say, for example, that "to a very large extent, Russia determines in which direction the world will develop." The United States pays close attention to this. Nevertheless, in a complex and ever changing period, Russia has become the most uncertain element in the contemporary world. Therefore, when two big powers like the United States and Russia get together, whether to cooperate or contend, they are bound to have an effect on the world.

D. In their relations with each other, the United States and Russia certainly take their own national interests as their standpoint and their point of departure; however, in order to put the other party at a disadvantage or counter the other party's challenge, they sometimes employ ideology. This is particularly true of the United States. In addition, national spirit and national psychology may also affect relations. Russia expresses such feelings more strongly, it seems.

E. Both the United States and Russia have framed their own global strategies on the basis of their overall national strength and international standing. Although they are not as sharply opposed as during the U.S.-USSR era, strategically speaking, the two countries certainly do not have any "cooperative partnership." Although America's strength falls short of its ambitions, it still wants to dominate world affairs, including interference in Russian affairs either directly or indirectly, openly or clandestinely. Today, Russia must bend efforts to revive its domestic economy; nevertheless, it continues to do everything possible to control the minimum sphere of influence of the former Soviet Union that is closely related to its own interests, and to maintain its own fairly large right to speak out on world affairs. Both America's past Eurocentrism and its present policy of comparative balance between Europe and Asia, which is in process of readjustment, have a bearing on the interests of Russia as a "Eurasian great power." Russia feels that without discussion with Russia "the United States cannot solve any problem in the world." This shows the deep imprint of past U.S.-USSR relations.

2. Both elements of mutual help and mutual rejection exist in U.S.-Russia relations; the relative importance of the two will shift as conditions change

A. Elements of mutual help and mutual rejection exist and intertwine, but they are not balanced. Over the long term, national interest, great power status, and world influence will play a fundamental role. This means that the area for conflict between the two may become greater than the area of help.

B. The United States and Russia want to use and help each other, and both are also suspicious and wary of each other. Russia, which acknowledges the strength and influence of the United States, hopes to obtain economic assistance from the United States and the nations under its influence, but it is not convinced in its heart of hearts that this will happen. In its own heart of hearts, the United States looks down on Russia and frequently sneers at it, but the desire to change style and make use of Russia continues to exert influence, so it throws out bait from time to time. The United States does not want a strong Russia, and it particularly abhors the rise to power of a communist or extreme nationalistic force, but it is also worried lest chaos in Russia lead to nuclear proliferation and formation of an external threat. Therefore, the United States strives to foster a Russia that will follow the model it has designed, that is weak but not chaotic.

C. Should the mutual-help element gain the upper hand in U.S.-Russia relations at some period, the trend toward cooperation will become marked; should the mutual rejection element gain the upper hand, then conflicts and contention will break out. When times are bad, efforts to get along increase; conversely, attitudes get tougher. Mutual help, i.e., a so-called "pragmatic partnership," may be either bilateral or multilateral. The term "partnership" is really a slogan that exaggerates the nature and role of mutual help. Mutual-help elements play a conditional role that is replete with arguments and contention. Take the nuclear arms issue, for example, on which Russia is America's main adversary in negotiations. However, both parties are of two minds about nuclear arms reduction. They both want to help the UN solve a major international matter, including regional clashes, but only as long as their own interests are not hurt. Both parties need cooperation on economic relations and trade, particularly Russia, but because of the dual character of America's attitude toward changes in Russia's economy, cooperation on economic relations and trade is rather mercurial.

D. Mutual rejection limits development of relations between the two countries. This is an element that will play a role for a long time to come. Russia feels that the territory of the former Soviet Union is its power sphere and that the former eastern European area is its sphere of influence (or sphere of interest). Russia cannot tolerate encroachment by America or countries of the European alliance on these two zones. Furthermore, in areas in

which Russia has a strategic interest, such as handling of the peace process in the Middle East, Russia has its own voice. On the sale of weapons as well, Russia will not be limited by the United States.

3. U.S.-Russia relations will develop as the situation in each country develops and change as external conditions change.

When Russia became independent following dissolution of the Soviet Union, owing to economic difficulties inside Russia, its leaders doggedly pinned their hopes on economic assistance from the West, particularly from the United States. Consequently, Russia leaned markedly toward the West in its foreign relations. However, it did not have a clear-cut, well-rounded, systematic foreign affairs strategy at that time. In 1992, it began to draw up a blueprint for a foreign affairs policy. In addition, reliance on the United States and other Western nations for assistance repeatedly encountered resistance. So it was that it was not until recently that a clear-cut, omnidirectional foreign affairs strategy and policy framework appeared. Therefore, the various methods of Russia's current foreign policy might be more accurately termed "gradual formation and clarification" of a foreign policy rather than a "readjustment."

Future relations between the United States and Russia will be cooperation in the midst of competition, and competition in the midst of cooperation, cooperation being for the purpose of competing. The future development of relations between the United States and Russia is closely related to the following several factors: 1) The tolerance within Russia for yielding on political issues to gain American economic assistance; and 2) changes in political strength within Russia and the United States. Results of the mid-term elections for Congress in the United States will surely have an effect on relations between the two countries, but one must watch the even more important presidential election in Russia in mid-1996. 3) The future direction of Russia's economic and political model; and (4) relations between the United States and Russia will also be limited and influenced to varying degrees by other permanent members of the UN Security Council, and the G-7 nations, particularly big powers such as Germany and Japan.

Li Jingjie [2621 7234 2638] (*research fellow and deputy director, Eastern Europe and Central Asia Research Institute, Chinese Academy of Social Sciences*): Relations between the United States and Russia attract attention because they have changed somewhat from the romanticism stage to the realism stage, with the founding of a new relationship based not on ideology and values but on real national interests.

A fairly romantic stage at first in U.S.-Russia relations is understandable. Russia's democratic reform went through very many risks, including Yeltsin's political life, which came close to being snuffed out. At every crucial period, the West supported him; consequently, it is quite natural that the democracy faction in Russia

stands with the West. At that time both Russia and the West had some unrealistic illusions about reform in Russia. Later on the political situation in Russia developed in ways they had not imagined.

1. How will U.S.-Russia relations change? What is the outlook? I would like to take a different tack in my remarks. Some people say that Russia has not yet shaped a foreign affairs strategy, some say that it is in process of shaping one, and some say that it has already formed one. Whatever the case, the basic components of Russia's strategy toward the outside world can already be seen. It has three main points: 1) Russia is a world power. Russia does not recognize a single-pole world under United States leadership following the end of the Cold War; instead, it believes that new centers of power are appearing, that Russia is one of those powers, and the United States is also one of those powers. In a television speech following his return from the United States, Yeltsin said: I do not believe that America can dominate the world. The world is multipolar; it is made up of many centers. I believe this point of view is the same among Russian officials and the opposition factions. 2) Russia is a superpower within the CIS. Everyone from Russian officials to the opposition factions say openly that the CIS is in its power sphere. 3) Another key point in Russia's external strategy is that Russia regards this as its sphere of interest.

In talking about the outlook for U.S.-Russia relations, one must look at the basic factors determining Russia's future foreign policy.

A. The nationalism factor. No matter what political force comes to power in Russia, the only banner under which it can mobilize the people and unite the country is nationalism. This is true for the democratic faction, and it is equally true for all other factions. Each faction has its own nationalism, which is substantially the same, differing only in degree. Today, all are flying the nationalism flag, the difference among them being how to realize nationalism. Therefore, one can say that nationalism will be one of the factors having a decisive effect on Russia's future foreign policy.

B. Domestic development requires an international environment of peace and cooperation. No matter which faction assumes power, including Zhirinovskiy, it will have to improve the domestic economy, otherwise it will not last. No one advocates a Russia that is closed off from the outside world. All advocate participation in the world economic integration process.

These are the two factors that will play a major and enduring role in Russia's foreign policy.

2. Now the United States and Russia must build a U.S.-Russia relationship that is based on real national interests. So what are Russia's national interests? They are the same as for other countries: one is security; the other is development. Russia's first security problem is the CIS. Today, Russia does not even have borders. There is disorder all around. The emphasis for security

and development, these two keys to Russia's foreign policy, will be on two kinds of countries for a long time to come. One is neighboring countries; the other is wealthy countries. Without good relations with neighboring countries, Russia can have no security; and without good relations with wealthy countries, Russia can have no development. There are conflicting places in both, so both cooperation and contention will determine U.S.-Russia relations.

What can be reconciled and what cannot be reconciled in Russia's policy toward the United States and the United States' policy toward Russia?

1. The main goals of Russia's policy toward the United States are: A) Peace, stability, and reduction of the arms burden. Yeltsin visited the United States to sign a military agreement after which he made another arms reduction proposal. In order to readjust and develop, Russia must solve the problem of a large percentage of war industries. Between 60 and 80 percent of industry in Russia is related to war. Unless the problem of converting military-oriented industries to civilian production is solved, a so-called "new quality economy" cannot be built. Without good relations with the United States, Russia's reduction of its arms burden, conversion of military-oriented industries to civilian production, and reduction of military expenditures will not be possible. Therefore, Russia urgently needs to avoid confrontation with the United States; it must develop a cooperative relationship with the United States. B) Another reason for maintaining peaceful relations and developing a cooperative relationship with the United States is Russia's hope of gaining American economic assistance. It must import capital and technology from the United States. Once the United States invests, other countries will follow. C) Establishment of a relationship as equals with the United States on international affairs. Some Russian leaders have not yet abandoned the notion that the United States and Russia dominate world affairs.

2) What are the goals of United States policy toward Russia? A) The transformation of Russia. The West has a theory that has not very much attracted our serious attention: Democratic nations will not go to war with each other. During his recent speech to the UN, President Clinton was not that categorical; he said that democratic countries were not likely to go to war with each other. There is a very good basis for this theory; it is a conclusion reached from the study of military science. It is not an ideological issue; it is a matter of real interests. The United States believes that spending a little money to help Russia become a democratic nation will save money by comparison with spending money on a confrontation with a Russia that has become a dictatorship and a communist country. B) Preventing the revival of Russian imperialism, and preventing revival of the former Soviet Union. How can this be prevented? The answer is clear. There are two main points: One is to make Russia into a peaceful democratic nation, changing the entire system. This is a primary assurance. The other

is maintaining the dissolution of the USSR. The nub of the policy that the United States is pursuing toward the former territories of the USSR lies in not allowing them to recombine and not allowing them to establish any integrated political entity. Another point is use of Russia's economic difficulties to weaken Russia's military strength. The United States is active in helping Russia in two ways. One is to help destroy Russia's nuclear weapons. It is especially generous in doing this. The other is helping Russia set up a market economy and democratic political institutions. Russia is not now a market economy. The United States is unwilling to provide large-scale assistance for Russia to use in subsidizing conversion of large state-owned enterprises. A final point is the establishment of a new security system on the Eurasian context, including Russia.

There are things in the goals that the foreign policies of the two nations pursue on which they are in complete agreement. The thing on which they are least in agreement is policy toward the CIS, and this is irreconcilable. Therefore, future Russia-U.S. relations will hinge on rivalry over this region of the CIS. The key lies in what future policy Russia adopts toward the CIS. Russia's shabby treatment of Georgia and the Ukraine, and its refusal to withdraw forces from the Baltic Sea very greatly excited the West, but for Russia, doing these things is simply a mere trifle. The CIS is, after all, a unified country in which the armed forces and security are an organic whole; therefore, for Russia to treat another country shabbily is as easy as falling off a log. The problem that concerns Russia most today is its borders. Where should its border troops be stationed? On today's borders or the borders of the former Soviet Union, or to protect Russian troops.

Within the CIS, the Ukraine is the focus of contention between the United States and Russia, because the Ukraine's position is important. In terms of power, it stands second in the former Soviet Union. Why did the Soviet Union dissolve? Because the Ukraine became independent. In the beginning, Yeltsin did not talk about the dissolution of the USSR, but he said that if the Ukraine became independent, the USSR could not continue to exist. Therefore, the Ukraine is decisive to the development prospects of the territories of the former USSR. Zbigniew Brzezinski organized a research team that lived in the Ukraine for a year. Its final conclusion was that so long as the Ukraine does not incline toward Russia, Russian imperialism cannot revive. Without the Ukraine, there is no Russian imperialism. If the Ukraine's sovereignty and territorial integrity can be ensured, the dissolution of the former Soviet Union can be maintained. Consequently, the West is particularly sensitive about Russia's policy toward the Ukraine. It feels that if Russia uses force against or threatens the Ukraine with force to bring the Ukraine back to the bosom of Russia, that will bring a new outbreak of the Cold War.

The second main point of controversy between the United States and Russia is eastern Europe. Russia

cannot permit eastern Europe to join NATO, thereby advancing the leading edge of NATO to the Ukraine and getting closer and closer to Russia. Russia resolutely opposes this.

I would like to talk briefly about conflicts between Russia and the United States. **The greatest effect of the end of the Cold War was on Europe.** The old world lineup was destroyed. Mostly it was destroyed in Europe. Asia is basically the way it was. Neither the Korean problem nor the Taiwan problem have been solved. What are the main problems that the world faces today (whether for Russia or the West)? The key to building a new lineup in Europe or a new lineup in the world is still in Europe. What are the main conflicts and clashes in relations between Russia and the United States? In the building of a new international security system, conflicts are profound, and very sharp. In a certain sense, one might say they are difficult to reconcile. Russia's point of view is as follows: Building of a new political and military security system based on the European Security Council, and the continued existence of NATO, but only as a regional organization concerned only with western Europe and not with eastern Europe and the CIS. The CIS, headed by Russia, will then set up a new security organization. Above these two regional security organizations will be an authoritative Eurasian mainland military security organization. The West wants to build a new security system around NATO. The European Security Council would continue to exist, but NATO would be relied upon in military matters. NATO would extend eastward, but the establishment of a new defense alliance within the CIS is unacceptable. Otherwise Europe will return anew to the Cold War state. The peaceful, democratic, and unified Europe that the West has always sought will vanish.

The Character of U.S.-Russia Relations and the World Pattern

Sa Benwang [5646 2609 2598] and Zhou Jing [0719 0311] (*Beijing International Strategic Problems Association*): By comparison with relations between the United States and the USSR when the bipolar lineup existed, fundamental changes have occurred in the nature, position, and role of relations between the United States and Russia. Relations between the United States and Russia today may be characterized in the following main ways:

1. Relations between the United States and Russia no longer occupy a dominant position in world affairs, but they continue to have a critical effect on the new world pattern. During the bipolar state of affairs, the world's two superpowers, the United States and the USSR, were the centers of global hegemony. At that time, relations between the United States and the USSR held a dominant position that superseded everything in world affairs. It was the main conflict that influenced and limited all other relations and conflicts.

By comparison, the role and position of relations between the United States and Russia in the world today

has declined markedly. No longer is it the main conflict in the world, but rather it has become one of several big power relationships in the world (such as U.S.-Japan relations, U.S.-Germany relations, Sino-American relations, etc.) However, it still plays a crucial role and exerts crucial influence during the transitional period on the world situation and formation of the future new world pattern. Not only prospects for "the integration of Europe," but also the future multi-polar structure and model depend, to a very great extent, on the rise and fall in relations between the United States and Russia and the international position of the two countries.

For the United States, the Russian problem remains the number one problem in American foreign policy. It is the key to the success or failure of America's "expansion strategy." "Digesting the fruits of democracy" is both the most urgent and most thorny problem in America's "global democratization" goal. During testimony to Congress about America's foreign policy on 4 November 1993, U.S. Secretary of State Warren Christopher said: "This administration particularly emphasizes support for political and economic reform in Russia and the other nations of the former Soviet Union. Helping and ensuring success in this process is the priority consideration in American foreign policy." Comparatively speaking, "the democratic evolution of our adversaries" (Lord, U.S. assistant secretary of state and others explicitly state that they want to bring about the peaceful evolution of "the remaining socialist countries") can only be a long-term strategic goal of United States foreign policy. Since taking office, President Clinton has had three formal meetings with Boris Yeltsin, and he invited Yeltsin to attend the political portion of the G-7 conference, but Clinton has not yet replied definitely to an invitation to visit China. In a way, these events show that the Clinton administration clearly puts Russia-U.S. relations ahead of Sino-American relations, and it also shows that until the crucial issue of Russia's change of course is basically solved, the United States lacks the will to "make moves in the East."

2. U.S.-Russia relations are in the course of changing from relations on an equal footing to relations on an unequal footing

During the Cold War era, the Soviet and American superpowers were basically evenly matched. Although both sides played both an offensive and defensive game, switching positions at different times, generally speaking, the two nations competed as equals.

Today, the United States and Russia are in an extremely unequal position in terms of strength, status, role, and circumstances. This inequality in strength has made the U.S.-Russia relationship an unequal one. Russia has lost its global superpower position, declining to the status of a regional world power, and a country facing both domestic and foreign policy difficulties and crises all around. Not only does it no longer have the power to vie with the United States for world hegemony, but it has

also turned to begging for economic assistance and political support from the United States and Western powers. Thus, the United States has become the sole superpower, arrogant and bossy, wildly ambitious, and seeking dominion over the entire world. It has taken advantage of Russia's decline to advance, and it employs every possible means to make Russia America's "second class partner," and to go on to bring Russia into the "big free world family of nations" headed by the United States.

In the final analysis, one's power position determines one's strategic stance. The unequal power position between the United States and Russia dictates an unequal relationship between the two. The "democratic partnership" that Clinton proposed in the Vancouver meeting with Yeltsin in April 1993, the "strategic partnership" proposed during the Moscow meeting between Clinton and Yeltsin in January 1994, and the "economic progress partnership" announced at the September 1994 Washington meeting between Clinton and Yeltsin were all unequal master-servant relationships in which an overwhelming portion of the initiative in relations between the two parties lay in the hands of the United States. It appears that Russia's weak position cannot be shaken off in just several years; therefore, the essentially unequal relationship between the United States and Russia will continue. Helmut Schmidt, former chancellor of West Germany, predicted, in a speech made to Philippine businessmen in Manila on 24 October 1994, that "it may take half a century" for Russia to rebuild its great power status."

3. The basic pattern of relations between the United States and Russia remains both cooperation and contention.

Even though the relationship between the United States and Russia is essentially unequal, it is like the relationship between any big powers, i.e., one of both cooperation and contention. Both the United States and Russia have a common need, for different reasons, to establish a kind of "partnership," therefore, cooperation is the dominant aspect of the relationship. However, since the interests of the two nations differ, the U.S.-Russia relationship is filled with conflicts and contention. Actual events of recent years suggest that the trend in U.S.-Russia relations is toward a decrease in cooperation and an increase in contention. The main reasons for this trend are: Russia cannot be content to serve as America's "second-class partner" for long. Its long-range goal is to get out of its predicament gradually, to revive its strength, to resume its great power majesty, and to assume a position as an equal of the United States. Russia's foreign minister Kozyrev said in a *ISVESTIYA* article on 11 March 1994 that "Russia is destined to become a great power." He warned the United States that it can "only treat Russia as an equal, not as a lower-ranking partner."

Nationalism and great nation consciousness have raised their heads in Russia in recent years. Diplomatically, the

country has begun to move from silence to activism, and from weakness to increasing toughness. Its conflicts with the United States on international affairs and regional issues have gradually become apparent and have increased. This has been manifested primarily in Russia's great efforts to protect its own "special interests" and "leading position" in former Soviet territories to resist American intervention. On the Bosnia-Herzegovina problem, Russia has once again acted as mediator from the posture of a great power, opposing U.S.-NATO air raids. On "European integration," Russia has proposed the idea of a "pan-European partnership" in an effort to thwart the eastward advance strategy of the United States and NATO. On the Korean problem, Russia opposed military action by the United States against Korea. On arms sales abroad, Russia ignored American pressure to prevent weapons proliferation, hastily transferring sophisticated weapons and technology to India and Iran. During the new Gulf crisis in early October 1994, Russia once again sent a special envoy for peaceful mediation, and strove for early removal of sanctions against Iraq, thereby challenging America's saber-rattling, etc. If a Russia beset by internal and external difficulties can still act this way, one can predict that once Russia's internal and external crises have eased, differences between Russia and the United States will widen, and struggles will also increase.

4. The nature of security problems in the U.S.-Russia relationship have changed, but still occupy a fairly prominent position.

Since the dismantling of the bipolar system, the former global military confrontation and arms race between the United States and Russia has ceased to exist. Today, not only is political and economic cooperation the main theme between the United States and Russia, but militarily no longer do the two regard each other as real primary adversaries. Russia cannot even take care of itself much less others; it is powerless to carry out a global military confrontation against the United States. Since Russia was dragged down, to a very large extent, by a more than 40-year-long arms race between the United States and the USSR, it is not now likely to return to the same old road. Its future lies in devising means to get out of the economic ditch. In the early 1990s, the United States changed its military strategy of regarding Russia as its main strategic target in favor of a "regional defense strategy" emphasizing the handling of limited regional conflicts. The American President's security affairs assistant, Anthony Lake, said on 21 September 1993: "So long as no reversal of the situation in Russia occurs, no real threat to the United States exists."

This being the case, the United States and Russia increased military cooperation. In January 1993, Bush and Yeltsin signed the "second stage strategic arms reduction treaty," which calls for a reduction in the number of nuclear warheads held by each side to between 3,000 and 3,500 by 2003. When Clinton visited Russia, he reached agreement with Yeltsin on both sides

no longer targeting missiles on each other. In March, during a visit to Russia, U.S. Secretary of Defense Perry reached an agreement with the Russian armed forces to conduct joint military exercises. On 22 June, Russia and NATO signed a "peaceful partnership" framework document making Russia NATO's twenty-second "peaceful partnership country." On 28 September, Clinton and Yeltsin issued a "Joint Statement on Strategic Stability and Nuclear Security" in Washington, D.C.

However, security issues still occupy a fairly prominent position in U.S.-Russia relations. With the readjustment of its foreign policy, signs have appeared of a Russian rebound toward toughness in military affairs. On 2 November 1993, Russia's National Security Council approved "Basic Principles of Military Doctrine," which declared the abandonment of the promise that the former USSR made in 1982 about not being the first to use nuclear weapons, amending it to a "purely defensive" combat policy, and declaring that "Russian armed forces may be stationed outside the country." Accordingly, Russia is now seeking to set up more than 30 military bases in each of the CIS nations, to dispatch peacekeeping forces to CIS hot spots, and to slow the pace of conventional armed reductions. These Russian actions have aroused the vigilance of the United States. The United States fears that disturbances in Russia and the CIS may affect Europe's security, and fears even more that Russia might return to the road of militarism and endanger America's security. Consequently, while emphasizing the handling of regional clashes, the United States continues to maintain a "reorganization capability" to guard against a reversal of the Russian situation. In a speech to George Washington University on 14 March 1994, Perry said: "Russia has the capacity to become a completely democratic and market economy country, and it also has the capacity to become an authoritarian, militaristic, or imperialistic nation that is an enemy of the West."

5. How U.S.-Russia relations develop depends on progress in Russia's "democratization."

Success or failure in Russia's change to a "democratic political system" and a "free market economy pattern" will be crucial in determining both the main conflicts in relations between the United States and Russia today and also the future direction of U.S.-Russia relations.

Following the dissolution of the USSR, Russia tried intense "shock therapy" economically and across-the-board westernization politically. Such disregard for national circumstances and repudiation of traditional methods caused a straight line downturn in the economy and serious political turmoil, a deterioration of social order, and a tremendous decline in the people's standard of living. The 20 September 1994 issue of PRAVDA carried a Russian congress work team survey report, which concluded that the Russian economy is still headed toward an abyss. On 11 October the exchange rate between the Russian ruble and the American dollar

fell to 4,000 to 1, showing the degree of weakness of the Russian economy. Yeltsin's illusions about relying on foreign assistance to remedy the Russian economic crisis have come up against a wall. Even though the United States does not want a collapse of the Russian economy and a reversal of the political situation, because of the scarred and battered state of its own economy, it can only pay lip service but not do real deeds to help Russia. During the past three years, the United States and other western nations have promised Russia a total of approximately \$80 billion in economic assistance, but so far they have honored less than one-tenth of these promises.

By contrast with the mutual congratulations and great jubilation over "the end of history" immediately following the dissolution of the USSR, nowadays many people in the United States and the West feel bewildered and apprehensive about the situation in Russia. Anthony Lake acknowledged in a 21 September 1993 speech that "the democratic system and market economies in Russia and other newly democratic countries is, at best, only something new, and frequently it is fragile. A reversal of the democratic tide in these nations is entirely possible." The United States and Western nations worry that should a reversal occur in "new democracies" such as Russia, major changes in the world lineup that are inimical to the United States and the West may occur, and major changes will also occur in relations between the United States and Russia. In a speech in Buenos Aires on 9 January 1994, Clinton said: "Increasing nationalistic sentiment in Russia may change the democratic and free economy process. We must not permit a re-establishment of the iron curtain. In no place is success with the democratic system more important to all of us than success with the democratic system in Russia." For this reason, the United States is working with the western European powers to use every means to help Russia complete its "democratization" process.

However, in the final analysis, Russia's orientation is something that cannot be controlled by outside forces; the decisive factors are still Russia's internal development and struggles. And Russia's orientation, as Clinton said on 21 July 1994, in his "National Security Strategy Report," is the biggest unknown quantity in the world today. Uncertainties about Russia's direction produce uncertainties in relations between the United States and Russia. What the future holds we shall have to continue calmly to wait and see.

Wan Shuyu [8001 2885 3268] (research fellow, Chinese Contemporary International Relations Research Institute, and deputy editor XIANDAI GUOJI GUANXI): What is the nature of current relations between the United States and Russia? How do they differ from relations between the United States and the USSR during the mid-1980s detente period? Strictly speaking, U.S.-Russia relations are a partnership in which the partners are estranged and keep a certain distance. By contrast, relations between the United States and the Soviet Union during the detente period were a temporary conciliation between enemies. Why is there

estrangement and distance in the present partnership between the United States and Russia? The reasons are very simple: First, the United States is still rather wary of Russia. America's strategic goal toward Russia is to promote its Westernization and to weaken its military forces, particularly its nuclear arsenal. However, warring feudal lords have risen inside Russia; nationalist forces and hardline factions are on the rise, and the radical reform faction has not yet achieved overwhelming supremacy. Who will achieve dominance in the end remains to be seen. Nuclear reduction measures have also encountered powerful resistance from the hardline faction. Given these circumstances, whether America's abovementioned goals will be reached is a major question. The 1994 American "National Security Strategy Report" gave first place to the hard-to-fathom future course of Russia as the main challenge that the United States faces in the world. Consequently, economically, the United States cannot support Russia the way it helped Japan and West Germany following World War II. Second, Russia is not willing to truckle to the United States. Although its economy has declined, it is still a major power spanning Eurasia, and it still has an enormous nuclear arsenal of 30,000 nuclear weapons. In addition, the cry against a submissive foreign policy and a weak nation foreign policy has increased in recent years, and there is much disappointment about the West's big talk but little action in providing assistance. In addition, the country's own security interests are a concern, etc. Thus Russia cannot dance to America's tune and sing the same song on major international issues.

Yuan Shiyin [5913 0013 0995] (deputy editor-in-chief, former World Knowledge Press): I will make two points. One is that U.S.-Russia relations are far less important than former United States-USSR relations, because not only was the former Soviet Union large, but it had a number of satellite states. Furthermore, in the third world, it also maintained an anti-imperialist, anti-colonial stance, and its influence in the international communist movement was also very great. Thus, relations between the United States and the Soviet Union were total. U.S.-Russia relations in the wake of the dissolution of the USSR are not in the same league at all, but Russia remains a world power. It may be termed a pole. It has a vast territory and rich resources; its population is also considerable; its military might is second only to the United States; it has not relaxed at all its development of science and technology; the degree of education of its citizens is generally fairly high, and its potential manpower resources are very abundant. A nation's future may be seen from whether it trains large amounts of skilled manpower. Once Russia is politically stable, its development will be rapid. It is simply that it has yet to find a development path suited to its national circumstances. It is still groping, and it will have to go through a period before it finds one. Therefore, one can say that Russia remains a powerful pole, and the United

States still regards good handling of relations with Russia as a matter of importance. It holds first place in America's foreign policy.

Second, examination of U.S.-Russia relations must be placed in a large triangular context. Some people say that since the dissolution of the Soviet Union, the large triangle [presumably, the United States, the USSR, and China] no longer exists. Russia would like to maintain its big power status, and even revive its past glory, but basically it is inclining toward the West. For example, its political system is multiparty; its political institutions have a tripartite system; and economically it has a market orientation. If Russia wants to increase its ability to bargain with the United States, it will have to improve relations with China. Yeltsin has proposed building a twenty-first century partnership with China. He believes that the past hostility toward China is completely ended. Tremendous progress has also been made on border problems, showing that Russia wants good relations with China.

The United States and China have conflicts between their ideology and social systems. The United States sets great store by ideology and social systems. Some people say that the West wants Russia weak but no chaotic. This is a contradiction in principle. Once it becomes stable, it will want to become stronger. The West can accept a Russia that is basically inclined to the West, even if it is somewhat stronger. After World War II, for example, the United States supported western Europe and Japan, knowing full well that it was increasing its own competitors; nevertheless, because of the need to resist communism, supporting them was preferable to an increase in Soviet influence in these countries. Once Russia is stable, whether Western investors will still drag their feet as they do today is not certain. The United States has the ability to invest in Russia. This takes the big triangle relationship into account, and it is an examination in terms of ideology.

Li Zhongcheng [2621 1813 6134] (research fellow, Chinese Contemporary International Relations Institute): My topic is the position and influence of U.S.-Russia relations in today's world. An understanding of the position and influence of U.S.-Russia relations into today's world requires clarification, first of all, of the kind of relationship between them at present. One might say that the "honeymoon period," and "romantic period" of relations between the two nations in which the United States fawned on Russia, and Russia loved America alone is over. The United States and Russia both desire to form a partnership and regard each other as adversaries; they both seek complete cooperation, and also cannot let down their guard. Cooperation in conjunction with competition, dialogue, and friction will be the basic posture in relations between the United States and Russia for a fairly long time to come. The position and influence of the two nations in the future world lineup will also be decided by the relations between them.

1. U.S.-Russia relations and the new world lineup in the transition period. Since the end of the Cold War and the dissolution of the Soviet Union, various forces have waxed and waned. Consequently, great power cooperation and competition, which was rapidly taking shape in the world, became complex. Because of their unequal strength, and their interlocking national interest goals, mutual dependence and equilibrium increased. The Cold War era's two against one, or several against several, situation was very difficult to shape. This being so, no matter the relationship established between the United States and Russia, changing the trend of development toward world multipolarity was impossible, nor was it possible to dictate the trend and direction of the new pattern.

2. U.S.-Russia relations and the new security pattern in Europe. Both the United States and Russia had their own ideas on a new European security mechanism following the Cold War. The United States persisted in building a new "NATO-led" European security system, preparing to expand membership among the eastern European territories of the former Soviet Union. Russia has persevered in advocating the building of a "European Security Council-led" new European security system to check the eastward spread of NATO's power sphere. At the same time, it stressed the political, military, and economic integration of the CIS, and considered establishment of a counterpart political and military alliance. Currently, struggles are increasing between the United States and Russia over establishment of a new European Security mechanism. A solution in the near future is not in sight.

3. U.S.-Russia relations and international arms control and arms reduction. Past relations between the United States and the Soviet Union, and present relations between the United States and Russia suggest that when "detente" and "cooperation" are paramount, negotiations between the two nations make progress and they are able to reach some agreements or sign some treaties on arms control or force reductions. During the late Gorbachev era, for example, START I was signed, and in January 1993, the United States and Russia signed START II. Conversely, when relations between the United States and Russia are tense, both sides emphasize competition in the military area, and thus reaching an agreement on arms control or force reductions becomes difficult. This reflects not only the steady escalation of the arms race between the United States and the Soviet Union during the Cold War area, but it also reflects the recent lack of agreement on force reductions between the United States and Russia. During the 49th CPSU Central Committee meeting, for example, Yeltsin made a series of arms reduction proposals to which the United States' response was chilly, with no response given. This is related to the present state of relations between the United States and Russia.

4. U.S.-Russia relations and regional conflicts. Both the United States and Russia have their own interests in solving regional hot spot issues. Here their cooperation

and conflict relationship is revealed to the full. In the Bosnia-Herzegovina crisis, both the United States and Russia have a common goal of removing the hot spots, and they have coordinated certain actions, but they pursue different strategic interests. The United States is seeking to use solution to the Bosnia-Herzegovina crisis as a means of extending its power and influence into the Balkans. Russia, is striving to ensure its traditional power sphere in the region. On the Middle East peace talks issue, the United States seeks to assume full responsibility. It does all possible to reduce Russia's influence. However, recently Russia has increased the frequency and intensity of its participation in Middle East matters. Foreign Minister Kozyrev and Prime Minister Chernomyrdin have visited many of the Persian gulf states in the Middle East, and they have sung a different song than the United States on the Iraq issue. After the United States reached a framework agreement on the Korean Peninsula, Russia accelerated the pace of its "re-entry," hoping to play its "great power role" in Asia, and oppose American domination of affairs on the peninsula.

Although changes in the development of relations between the United States and Russia can no longer dominate and control the overall multipolar trend of the world pattern, because of the special position of the United States and Russia, the trends that determine relations between them will have a major effect on the world lineup and development of the international situation. These should be followed with close interest.

United States & Canada

Reportage on IPR Negotiations With U.S.

Wu Yi Hopes for 'Good Outcome'

HK1502034095 Hong Kong AFP in English 0307 GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, Feb 15 (AFP)—The first full day of crucial negotiations between the United States and China over their copyright piracy dispute got underway here Wednesday with China's Foreign Trade Minister Wu Yi expressing hopes for a "good outcome." US negotiators drove into the Ministry of Foreign Trade and Economic Cooperation and waved cheerily to journalists.

Wu Yi spoke briefly to reporters and said it was a "good sign" that Washington had agreed to hold the resumed talks in Beijing. When US Trade Representative Mickey Kantor invited China to more talks after the first round ended in deadlock he invited the Chinese to Washington. The decision to come to Beijing indicated the "understanding between both countries," said Wu. "I hope the talks will be fair and beneficial to both countries and I hope there will be a good outcome."

Late Monday there was a meeting between US and Chinese officials at the US delegation's residence here but it was not clear whether the meeting was merely a

protocol call or signified the two sides had already got down to work. The US delegation is led by Deputy Assistant US Trade Representative for China, Lee Sands.

The negotiations are a last ditch attempt to head off a trade war between Washington and Beijing over intellectual property rights protection and are expected to be tough. Prime Minister Li Peng told visiting French officials here Monday that China would not capitulate or give in on "principles it judges to be essential."

Washington, frustrated by China's lack of progress in curbing rampant copyright violations, announced on February 4 that it would slap 100 percent import duties on 1.08 billion dollars of Chinese imports. Beijing quickly announced retaliatory sanctions. Among the Chinese imports listed are plastic articles—such as picture frames—answering machines, cellular telephones, sporting goods and bicycles.

Targeted exporters have played down the impact of the threatened sanctions on their business, saying numerous other markets exist for their goods. But Chinese economist Fan Gang said the tight domestic credit situation over the past 18 months had already forced exporters to exploit all possible overseas markets. "They need the large US market to unburden them of many products," said one diplomat.

Generally, the sanctions' direct impact will be small, effecting just 0.15 percent of China's output of the targeted goods and three percent of exports to the United States, which hit 35.9 billion dollars in the first 11 months of 1994, for a 27.5 billion dollar surplus.

"Beijing's concern is more over the symbolic effect of US sanctions than over their direct economic impact," a western diplomat said. "The United States is China's most important economic partner and US capital is vital in China's continued economic development and in the transfer of high technology to enable it to become more advanced," he said.

US investment in China hit 17.1 billion dollars in 14,000 projects to June 1994, with 6.35 billion dollars already committed.

Talks Resume With 'Realistic' Attitude

OW1502101495 Beijing XINHUA Domestic Service in Chinese 0922 GMT 15 Feb 95

[By reporter Zhang Yijun (1728 4135 0193)]

[FBIS Translated Text] Beijing, 15 Feb (XINHUA)—On 15 February, Chinese and U.S. negotiators began another round of talks on issues related to the protection of intellectual property rights (IPR) in Beijing. Both sides have indicated their willingness to conduct the talks with a realistic [wu shi 0523 1395] attitude.

This is the ninth round of talks between China and the United States since they began last year.

A Chinese official attending the talks told the XINHUA reporter that at the beginning of talks today, negotiators from the two sides indicated their willingness to conduct the talks with a positive [ji ji 4480 2817] and realistic attitude, and to work hard to overcome differences to reach an early agreement acceptable to both sides through consultations on an equal footing.

Editorial Sees 'Reason for Optimism' in IPR Talks

*HK1502063795 Hong Kong TA KUNG PAO in Chinese
15 Feb 95 p A2*

[Editorial: "Looking at the Prospects for the Sino-U.S. Intellectual Property Rights Talks"]

[FBIS Translated Text] The new round of Sino-U.S. discussions on the issue of intellectual property rights [IPR], which has now drawn widespread attention in the international community, formally begins today (15 February) in Beijing following the preparatory meeting on 14 February. This will be the ninth round of talks between the two sides since last June. Yesterday, China's Ministry of Foreign Trade and Economic Cooperation expressed the hope that the U.S. side can show some flexibility during the new round of discussions, to enable the two sides to remove differences and reach a consensus through consultations on an equal footing and positive and constructive work, so as to promote the healthy development of Sino-U.S. economic and trade relations.

Both the Chinese and U.S. sides know that, should the new round of talks break down, the trade war that will follow will not be good for either side. The sincere comments by the Chinese side yesterday were indeed earnest. That is to say, the current round of talks in Beijing is very important.

But the fact that the previous round of Sino-U.S. IPR talks had broken down in the United States and new discussions must now take place before the deadline set by the U.S. side shows that neither side wants to see the issue deteriorate to the point whereby both sides impose sanctions against the other. Seeing as talks are to be held again, a last-minute compromise is possible, and people are again waiting for a new result from Beijing, so there is reason for optimism.

The ultimate reason why the Sino-U.S. IPR talks ran into such major difficulties was because the U.S. side deviated from the principle of equality, reciprocity, and mutual respect, to the extent of interfering in China's internal affairs; for example, it demanded that China change its judicial system, amend the civil procedure law, and allow U.S. firms to run solely-owned news, publication, and audio visual product companies in China. It even demanded that the Chinese side regularly brief the United States on the ongoing work of banning pirated audio visual products. No country which cherishes sovereignty and dignity can accept such unreasonable demands. On the eve of the Sino-U.S. talks, Premier

Li Peng pointed out again when talking to the visiting former French Prime Minister Raymond Barre that China will not yield on basic principles during its IPR talks with the United States. That is to say, China's bottom line has already been drawn, and it cannot make any more concessions, for further concession would mean humiliation.

Beginning last year, China has severely cracked down on piracy in terms of law enforcement. Since last October, various localities have seized and destroyed 2.2 million pirated compact discs and 1.6 million pirated books, have banned six production lines in four factories which had illegally produced pirated audio visual products, and have once again registered and rectified the 36 production lines currently existing in the country, closely supervising and managing them. Various localities in China have one after another established IPR adjudication divisions and have handled a large number of IPR-related cases. The laws and regulations on IPR protection have been continuously improved. It must be pointed out that China is nevertheless a developing country, and it is 30-50 years behind the developed countries in Europe and America in the area of legislation for IPR protection. Since the mid-1980's, China has been establishing a set of laws on IPR protection step by step. All these are undisputable facts, and the United States should not ignore China's actual conditions and ask China to do this and that with an attitude of interfering in China's internal affairs.

China is making efforts in every area to reach the targets of IPR protection set by itself as well as foreign countries, and China is doing so not because it wants to stage a show for the United States. Rather, it is acting in accordance with international law and is working to integrate itself into the international community; in particular, some economic and trade laws must meet the requirements of international treaties if China is to join the World Trade Organization. The current nationwide campaign against pirated audio visual products, computer software, and pirated books is also a timely and necessary legal education for the country.

China is looking more toward the future, because, judging from today's pace of development of science and technology in China, China will occupy an important position in the international market of goods made with advanced science and technology. China attaches such importance to IPR protection not only to protect the interests of foreign businessmen, but also to lay a firm foundation for protecting its own IPR interests.

A relevant group in the United States recently admitted that the world is not lacking in countries and regions which have piracy situations which are more serious than that of China. It expressed its concern that the United States will be facing an increasingly difficult job in this area; in fact, there is also evidence of pirating activities within the United States.

Therefore, if China and the United States eventually reach an agreement through the Beijing talks, it will not

only be good for the two countries, but will also be an experience to be borrowed by other countries and regions where the issue of piracy exists.

The Chinese authorities have repeatedly told the United States in all earnestness that it is entirely possible to resolve the dispute on the basis of mutual respect, an equal footing, and calm consultations. Based on the common interests of both China and the United States at this time and, even more so, on the necessity for developing economic cooperation between the two countries in the long run, there is reason to be optimistic that the two countries will eventually reach agreement on the IPR issue.

Premier Adopts Firm Line on Intellectual Property Rights

BR1402134995 Paris LE FIGARO (LE FIGARO-ECONOMIE Supplement) in French 14 Feb 95 p 3

[Report by Jean Leclerc Du Sablon: "Beijing Determined To Resist Washington"]

[FBIS Translated Excerpt] Beijing—On the eve of the resumption of the Sino-U.S. negotiations on intellectual property rights, Chinese Prime Minister Li Peng said yesterday evening that "his government will not give up on principles which he considers essential." The Chinese prime minister blames Washington for demanding conditions "which do not correspond to China's own interests," without specifying the nature of these "principles."

Li Peng was speaking to a delegation of French industrialists led by [former Prime Minister] Raymond Barre, who was chairing a Sino-French symposium organized by the France-China Committee, an association representing numerous companies based in China.

Li Peng added that Beijing wished to successfully conclude the Chinese-U.S. talks which will resume tomorrow in Beijing. [passage omitted]

According to Raymond Barre, "Li Peng appeared very relaxed, self-confident, friendly, with a good knowledge of his files, and very anxious to promote Sino-French economic relations." [passage omitted]

As Li Peng was reviewing his foreign and domestic policy, he noted that "the success" of the Chinese economy proves that the Chinese people "are not dissatisfied as some like to claim."

Raymond Barre said that "French companies are not asking China for particular advantages since they are competitive, dynamic, effective, able to achieve technology transfers, and to work abroad."

According to one delegation member, the Chinese Government head let it be known that if there were "difficulties" that continue to hamper Sino-U.S. relations, Beijing would then be able to buy supplies from ... European industries.

Zou Jiahua Meets U.S. Industrialist, Delegation

OW1502113595 Beijing XINHUA in English 1116 GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—Chinese Vice-Premier Zou Jiahua met with Michael Jordan, chairman and chief executive officer of the Westinghouse Electric Corporation of the United States, and his party here today.

The U.S. company enjoys a long-standing friendly cooperation with its Chinese partners, sources here said.

Jordan and his party are here on a five-day visit as guests of the Chinese Ministry of Machine-building Industry. They said they wish to explore new possibilities of cooperation with China in the area of electric equipment.

Near East & South Asia

Leaders Meet With Visiting Libyan Official

Qian Qichen Opposes Sanctions

OW1402150795 Beijing XINHUA in English 1453 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (XINHUA)—Chinese Foreign Minister Qian Qichen said here today that China is not in favor of sanctions against Libya concerning the Lockerbie incident.

According to Chinese Foreign Ministry sources, Qian made the remarks during talks with visiting Libyan Secretary of Foreign Affairs 'Umar Mustafa al-Muntasir.

Based on its principles of opposing terrorism of any form and resolving international disputes through peaceful means, China holds that all parties concerned in the Lockerbie case should settle the crisis through consultations and talks.

"China is not in favor of imposing sanctions against Libya, let alone increasing existing sanctions," the foreign minister said.

The sanctions have already brought much suffering to the Libyan people as well as many difficulties to its neighboring countries and other nations concerned, thus intensifying regional tensions, Qian noted.

China understands and has sympathy for Libya's plight and does not want to see the situation worsen, Qian told his guest, adding that China has done and will continue to do its best in this regard.

Muntasir briefed Qian on Libya's position on the Lockerbie case, and was quoted as saying that the sanctions are "groundless" and that Libya has worked hard to settle the crisis and put forward feasible suggestions, which have won support from the Arab League and the Non-Aligned Movement.

He expressed the hope that the issue could be resolved and that the sanctions be lifted at an early date.

Talking about bilateral relations, both Qian and Muntasir expressed satisfaction with the development of Sino-Libyan relations.

Qian said that China is willing to further develop bilateral ties on the basis of the five principles of peaceful co-existence, and said that he believes that bilateral relations will be enhanced with the joint efforts of both sides.

The vice-premier added that China takes a positive attitude towards developing economic cooperation and trade with Libya, which is a developing nation as is China.

Muntasir said that economic cooperation and trade between the two countries suggest great potential.

According to Chinese Foreign Ministry sources, the two foreign ministers also exchanged views on the Middle East peace process, the prevention of nuclear proliferation and other issues.

Muntasir and his party are here on a working visit at Qian's invitation.

Qiao Shi Meets Official

*OW1502121195 Beijing XINHUA in English
1146 GMT 15 Feb 95*

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—China is willing to develop relations with Libya in all fields, including the further expansion of exchanges and contacts between the Chinese National People's Congress (NPC) and the Libyan parliament.

This remark was made by Qiao Shi, chairman of the Chinese NPC Standing Committee, during a meeting with visiting Libyan Secretary of Foreign Affairs 'Umar Mustafa Al-Muntasir.

Muntasser conveyed to Qiao Shi the Libyan leader Mu'ammarr al-Qadhdhafi's verbal message to Chinese President Jiang Zemin on developing bilateral relations and all other Libyan leaders' regards to Chinese leaders. He stressed that Libya wishes to strengthen all-round relations with China so as to further advance the bilateral relations.

Welcoming the Libyan secretary's visit to China, Qiao also conveyed Chinese leaders' regards to Libyan leaders. China and Libya, both developing countries, are friendly to each other, and they share similar view in some major international issues and enjoying good cooperation in international organizations, he said.

He added that China attaches importance to developing relations with Libya and desires to further the relations on the basis of the Five Principles of Peaceful Co-existence.

China appreciates Libya's upholding of "One China" policy, and the bilateral economic and cultural cooperation and trade have been fruitful, Qiao said. China also wants to develop the relations between its NPC and the Libyan General People's Congress.

Nepal Reiterates Stand on Tibet

*OW1002143995 Beijing XINHUA in English
1425 GMT 10 Feb 95*

[FBIS Transcribed Text] Kathmandu, February 10 (XINHUA)—The Nepali government regards Tibet as an inseparable part of the People's Republic of China, said a Home Ministry spokesman today.

The newly-elected UML [United Marxist-Leninist] government will be firm in its policy of not allowing its soil to be used against any other countries and will continue to do so in the future, said the spokesman.

Political & Social

German Journal Cites Deng's Doctor's Comments

AU1402135795 Hamburg DER SPIEGEL in German
13 Feb 95 p 130

[Interview with Wu Jieping, a "leading Chinese doctor tending Deng Xiaoping on his death bed," by an unidentified reporter; place and date not given: "A Rapid Change"]

[FBIS Translated Text] [DER SPIEGEL] Deng Xiaoping's daughter, Deng Rong, recently said that her father's condition was worsening day-to-day. She then retracted her statement the week before last. What is the state of Deng's health really like?

[Wu Jieping] One is, of course, concerned. His daughter is undoubtedly in the best position to comment on the state of his health. At his age, things can change very rapidly.

[DER SPIEGEL] Your diagnosis at the beginning of the year was that the state of Deng's health was comparable to that of Chairman Mao Zedong during his last days.

[Wu Jieping] I cannot specify any details. Similar illnesses, however, occur in people over the age of 80. The supply of blood to the brain is no longer assured and the heart is not getting enough blood either. Pneumonia occurs then.

[DER SPIEGEL] You were a member of Mao Zedong's team of doctors in 1976. What did he die of?

[Wu Jieping] It was even clear to outsiders that he was suffering from Parkinson's disease and his brain was no longer receiving an adequate supply of blood toward the end of his life.

[DER SPIEGEL] Is Deng also suffering from Parkinson's disease?

[Wu Jieping] Mao Zedong was 83, Deng is already 90. These sorts of illnesses occur more and more often at that age.

[DER SPIEGEL] There are no new photographs of Deng Xiaoping, and there was no traditional television appearance on the occasion of the Chinese New Year. How long will Deng live?

[Wu Jieping] That is a matter of medical confidentiality.

Doctor Denies Comments

HK1502025095 Hong Kong TA KUNG PAO in Chinese
15 Feb 95 p A2

["Special dispatch" by staff reporter Ma Ling (7456 3781) from Beijing: "Doctor Clarifies German Journal Report, Denies Having Said Anything About Deng's Health"]

[FBIS Translated Text] Beijing, 14 Feb (TA KUNG PAO)—Wu Jieping, vice chairman of the Standing Committee of the National People's Congress and a famous expert in urology, said here today during an interview with reporters from this newspaper that the recent reports in some Hong Kong newspapers citing his comments on Deng Xiaoping's health were absolutely not based on facts, because he had not concretely discussed the topic of Deng Xiaoping's health during his interview with the German journal DER SPIEGEL.

Wu Jieping stressed that he had not addressed or even hinted at Deng Xiaoping's recent health when talking to DER SPIEGEL reporters. Wu Jieping also said that Germany's DER SPIEGEL had given him an explanation about the incorrect reports carried by some Hong Kong newspapers. DER SPIEGEL said that the reports on Deng Xiaoping's health that have appeared in some Hong Kong newspapers had been unilaterally fabricated and were nothing more than sensationalist details added to embellish a story.

Deng Xiaoping's Views on Leadership Noted

HK1402143795 Beijing RENMIN RIBAO in Chinese
8 Feb 95 p 11

[Article by Shao Jingjun (6730 2529 0971), from the "Seriously Studying the *Selected Works of Deng Xiaoping*" column: "Brief Discussion on Deng Xiaoping's Views on Leadership"]

[FBIS Translated Text] Volume 3 of the *Selected Works of Deng Xiaoping* is an important record of Deng Xiaoping's leadership theory and practice in the new historical period, and is a classic work on the science of leadership with Chinese characteristics which expresses in a concentrated manner Deng Xiaoping's views on leadership. The so-called views on leadership are people's fundamental views on the social phenomenon of leadership. They do not replace concrete leadership activities of making policy decisions, choosing people for jobs, coordination, and so on, but they are the soul of leadership work which runs through the whole process of leadership practice.

"What Is leadership? Leadership Is To Serve"

To serve the people wholeheartedly is the "sole purpose" of the CPC and is also the principle of conduct in Deng Xiaoping's leadership ideas and activities. General Secretary Jiang Zemin said: Comrade Deng Xiaoping "respects the masses and loves the people. He is always concerned about the interests and aspirations of the broadest masses of the people. He takes 'whether or not the people support,' 'whether or not the people agree,' 'whether or not the people are happy,' and 'whether or not the people consent' as the starting point and end-result in formulating various principles and policies." On many occasions, Deng Xiaoping has theoretically and thoroughly expounded the relationship between leadership and service. As early as at the Eighth CPC

National Congress in 1956, he pointed out: "All the tasks of the party are to serve the people wholeheartedly. The leadership role of the party to the masses of the people is to correctly give the people the direction of struggle, and to help the people strive for and create their own happy life with their own hands." In 1985, he put forward the famous conclusion that "to lead means to serve," thus giving the final touch to the scientific view on leadership of the proletariat.

"To lead means to serve" is a high degree of generalization of Marxist leadership theory. Leadership belongs to the superstructure, and serves a certain economic base. In the class society, the leadership of different classes serves the interests of different classes. Marxism was the first to scientifically make this point clear. At the same time, it made clear that "historical activities are the undertaking of the masses" and the masses of the people are the real masters of a society. Therefore, the communist party and party cadres, who are resolved to lead the people in their advancement, must act as "responsible public servants" and must thoroughly serve the masses of the people.

"To lead means to serve" is a scientific summary of all the party's leadership experience. The fundamental reason why our party was able to develop from a small one—the members of which were oppressed, encircled for annihilation, and massacred—into the world's largest ruling political party, which is successfully leading the political power of the whole country, is that the party always upholds the purpose of serving the people, thus winning the most sincere and effective support of the broadest masses of the people.

"To lead means to serve" reveals the key to success in the leadership of a ruling party. Lenin once penetratingly pointed out: The greatest and most serious danger of a ruling party is separation from the masses. Therefore, the only way to maintain the leadership position of a ruling party is to maintain close ties with the masses and to persist in serving the people.

Who Are To Lead? They Can Only Be the People's "Public Servants"

This is a question about which Deng Xiaoping is most concerned. In his speech made during his trip to the south in 1992, he repeatedly said: "What has a bearing on the overall situation is this issue." Because of this, many of his expositions are centered around acting as public servants of the people.

First, we must put leaders into a correct relationship to the masses of the people. Putting "people's public servants" in a correct relationship to the "masters of the society" is the prerequisite for leaders to uphold the leadership view of serving the people. Deng Xiaoping said: "The political party of the working class does not regard the masses of the people as its own tools, but consciously considers itself as a tool for the masses of the people to fulfill a specific historical mission in a specific historical

period." He has a bitter hatred for the phenomenon of some cadres "regarding themselves not as the people's public servants, but as masters of the people, and seeking personal privileges." He always feels proud of being "the son of the Chinese people" and sincerely said: "I am a citizen of the People's Republic of China, and I should subordinate myself to the people's will." **Second, we must uphold CPC leadership, which represents the fundamental interests of the masses of the people.** Why? This is because the party is the vanguard of the Chinese working class, armed with scientific theories, and is the representative of the fundamental interests of the masses of the people. "In a big country like China, ... without the unified leadership of such a party, it would be impossible to imagine how to unify the ideology and strength of several hundred million people. The country would fall apart, and nothing could be accomplished. This is the truth discovered in the long-term struggle and practice of the people of various nationalities in China. The unity of our people, the stability of society, the development of democracy, and the unity of the country all depend on the leadership of the party."

Third, leading cadres must be people capable of working for the benefit of the people. What are the criteria for leading cadres in the new period? They are generalized by Deng Xiaoping as being "more revolutionary, younger in average age, better educated, and more professionally competent." Among them, he has attached special importance to the ability to "benefit the people, to develop the productive forces, and to make positive contributions to the socialist cause," and he thinks these are the "major political criteria" for choosing people for jobs. He earnestly hopes that young and middle-aged cadres "will serve the people wholeheartedly, and go deep among the masses to listen to their demands; will be brave in telling the truth and opposing lies; will not seek undeserved reputations, but do more solid work; will be scrupulous in separating public interests from private ones, and will not trade principles with human feelings; and will appoint people on their merits, and oppose appointing people by favoritism."

Fourth, leading collectives must be united and full of vigor, and must win the people's trust. As determined by the nature of the party and the state, the basic form of leadership is collective leadership. Deng Xiaoping pointed out: "The most crucial thing is to have a united leadership core." "Under no circumstances should any small faction or circle be formed." He stressed that leadership collectives must have vigor, and that efforts must be made to absorb outstanding young and middle-aged cadres into leading bodies. The leadership structure must be reformed, organizations must be streamlined, procedures for handling matters must be simplified, and work efficiency must be raised. He demanded that leading bodies should have authority and in the first place, that "the Central Committee should have authority." When the third leading collective of the party was formed, his demand was "to win the trust of the people. This collective should enjoy the trust of the people, so

that the people will unite around the leading collective of the party central committee, which they trust." Deng Xiaoping was soberly aware that after the party was in power, the danger of becoming divorced from the masses and the emergence of corruption had increased. Therefore, he repeatedly sounded to the whole party the note of warning against corruption.

In May 1989, one of the two "political tasks" he assigned to the party and the people was "to earnestly do several things to show that we really are opposing corruption, and are not just pretending to do so." He resolutely said: "We have to pass this test, and must make good our promise. We must call a spade a spade, and must handle matters in light of actual situations. We must win the people's trust."

Leadership's "Purpose Is To Realize Common Prosperity of the People of the Whole country" and "To Build China Into a Prosperous, Strong, Democratic, Civilized, and Modern Socialist Country."

Putting the major leadership strength on the realization of the fundamental interests of the broadest masses of the people is the main characteristic of Deng Xiaoping's views on the purpose of leadership. One of the prominent marks distinguishing the CPC from other political parties and social organizations is that it can accurately judge, in different historical periods, what the people's fundamental interests and aspirations are, and it goes all-out to work for them. During the democratic revolution period, our party succeeded in doing this. What are the people's fundamental interests and aspirations after entering the period of socialism? He explicitly put forward: "According to the viewpoint of historical materialism, correct results of political leadership are manifested, in the final analysis, in the development of social productive forces and in the improvement of the people's material and cultural life." Since the Third Plenary Session of the 11th CPC Central Committee, he "has always grasped firmly this fundamental link," and because of this, has formulated the "three-step" strategic objective, which is known to the whole world. Experience over the past dozen years or so has proved that this objective system is a true reflection of the common aspiration of the party and the people, tremendous strength to boost the fighting will of the nation, and an important guarantee for the adherence of leading cadres at various levels to the leadership orientation of making the people rich and the country strong.

Deng Xiaoping found that prosperity in material life is the foundation for human development, but is not the whole of human development. Human development also includes demands for democracy, civilization, and comprehensive social progress. Therefore, he put forward: "At present, we must pay special attention to the building of material civilization. At the same time, we also must build socialist spiritual civilization, and the most fundamental thing is to enable the broad masses of the people to have communist ideals and moral ethics, to

be well-educated, and to be disciplinary." On many occasions, he stressed the necessity of "developing socialist democracy, and arousing the enthusiasm of the people and grass-roots units" through reforming the political structure. Deng Xiaoping's leadership ideas on prosperity, democracy, and civilization for the people have been completely absorbed into the party's basic line, and have become the objective of the common struggle of the whole party and of all the people in the country in the new historical period.

Whether or not the leadership purpose is selected correctly has a direct bearing on the success of the leadership cause. It is not at all easy to establish a correct leadership purpose, but it is even more difficult to uphold such a purpose. Deng Xiaoping is fully aware of historical experience and lessons in this respect. Therefore, in the past few years, he has been making great efforts to eliminate interferences in the "three-step" strategic objective and the party's basic line. He exhorted the whole party: "The basic line is to be implemented for 100 years, and we must not waver in its implementation. Only if you uphold this line will you be trusted by the people. He who changes the line, principles, and policies implemented since the Third Plenary Session will meet with the opposition of the people, and will be overthrown." From the practice of Deng Xiaoping in putting forward and upholding the leadership purpose, we can deeply feel that the ability to get hold of and solve the most important problems in the existence and development of the people, and to serve the people in matters for which they most need service, are the most valuable attributes of a mature "people's servant," as well as the expression of the nature of the leadership view of serving the people.

The Basic Leadership Methods Are Seeking Truth From Facts and the Mass Line.

Leadership methods are "bridges" and "ships" for the realization of leadership purposes. All successful leading personalities in the past and present are great masters in using leadership methods. Deng Xiaoping is no exception. He has persisted in using the methods of seeking truth from facts and the mass line to realize the purpose of serving the people, and he has formed his own characteristics.

Having his eyes on development, stressing emancipation of the mind, studying new situations, and solving new problems. Deng Xiaoping is a thorough materialist. He knows clearly that the practice activities of the masses of the people will never end. Only if we firmly grasp "development" can we go with the aspirations of the people and do a good job in leadership work. To grasp development is to grasp new things and new questions, which emerge in an endless stream. In the past dozen years or so, it was precisely because Deng Xiaoping made great efforts to grasp four modernizations, reform, opening up, the market economy, and a series of other issues that China has achieved great development, and that the initiative has been gained. To better study new situations and solve new

problems, he has paid special attention to emancipation of the mind. He thinks that emancipation of the mind means "to smash the trammels of the force of habit and subjective prejudice under the guidance of Marxism" so that ideology conforms with reality, and so that the subjective conforms with the objective, that is, to seek truth from facts. He once solemnly pointed out: "If a party, a country, or a nation proceeds from books in everything, its ideology ossifies, and superstition is popular; it will not be able to make progress, its will cease to have vitality, and the party and country will perish."

Having his eyes on creation and stressing the creative spirit of the masses. Creation is the basic form of development. In his practice in leading the Chinese people in their development, Deng Xiaoping has paid the greatest attention to creative practice, including reform, exploration, and experiments. "Take our own road and build socialism with Chinese characteristics"; this is his basic conclusion. To open up our own road, he has encouraged the people "to try boldly and to break new trails boldly." He thinks that "without the spirit of breaking new trails, without the spirit of 'being outstanding,' and without vigor and vitality, we cannot open up a new and good road, and cannot make accomplishments in a new cause." Creation, first and mainly, means creation by the masses of the people. Of course, leading cadres also have creative ability and wisdom, but compared with the unlimited creative strength of the masses of the people, theirs is only "a drop in the ocean." Deng Xiaoping has explained this on many occasions. He once said: Many good things in the rural reform have been created at the grass-roots level, and we have processed and improved them, and have used them as guidance for the whole country. Town and township enterprises "were not an idea of our leadership, but were created by grass-roots agricultural units and the peasants themselves." Therefore, Deng Xiaoping always strives to arouse the enthusiasm of the masses of the people; respects the creative spirit of the masses; sums up, processes, and popularizes good experience created by the masses in a timely way; then uses it to promote creative practice and the development of the overall situation.

Having his eyes on the overall situation, and stressing grasping with both hands and grasping firmly with both hands. Overall development and overall interests are where the fundamental interests of the masses of people lie, and are the basic starting point for leaders to consider questions. Deng Xiaoping has precisely exhorted the broad masses of cadres in this way: In considering any question, we must have our eyes on the far future and on the overall situation. Many minor situations must be subordinated to the overall situation, and this is the crux of the matter. Society today is very complicated and has numerous contradictions. How can we effectively grasp the overall situation? In accordance with the tenets of materialist dialectics and the viewpoint of dividing one into two, Deng Xiaoping thinks that we must use both hands, and that using only one hand will not do. He has put forward and used a series of methods of "grasping with both hands." This shows his superb leadership art.

Having his eyes on actual effects, and stressing seizing opportunities, choosing capable people for jobs, and flexibility in methods. Deng Xiaoping advocates that "leaders must do more solid work," and "speak with facts," and that the actual results in leadership work should be used to assess work and cadres. This method expresses in a concentrated manner the principle of seeking truth from facts and the mass line, and has an extremely great impact on subjectivism, formalism, and bureaucracy. To achieve actual results in reform and development, Deng Xiaoping has stressed seizing opportunities. "Localities where conditions permit should try their best to speed up." "I am worried about missing opportunities." He has stressed choosing capable people for jobs. "The key to success in work lies in whether or not we can discover capable people and choose them for jobs. He has stressed that we should "act boldly, take steady steps, and look around before taking a new step" "because reform involves the vital interests of the people, and each step taken will affect hundreds of millions of people."

Article Views Jiang Zemin 'Personality Cult'

HK1502060695 Hong Kong SOUTH CHINA MORNING POST in English 15 Feb 95 p 19

[By Willy Wo-lap Lam]

[FBIS Transcribed Text] Jiang Zemin is banishing Deng Xiaoping from the Beijing media so that the patriarch's venerated image will not upstage the personality cult being constructed around the president.

This observation, which is making the rounds of the capital, has been buttressed by at least three instances since last November in which the national press headquartered in Beijing avoided mentioning Mr Deng or running his photograph. The latest occasion took place on Monday, when the Liberation Daily [JIEFANG RIBAO] and the Wen Hui Bao daily in Shanghai—known for their links with the Deng household were the only media to report Deng Rong's account of how her father spent the Lunar New Year.

All over the country, Mr Jiang's personality cult is fast surpassing that of Mr Deng, and indeed, Chairman Mao. The president's eight-point "reunification initiative" to Taiwan late last month is receiving the kind of attention—and adulation—that Mr Deng's famous nanxun ("imperial tour to southern China") talks in 1992 never received.

Communist party and government units which have nothing to do with Taiwan affairs—including trade unions and women's organisations have convened lengthy seminars to study the Jiang Batiao ("Jiang Eight Points") edicts.

Leftist overseas-Chinese media and social groups in countries ranging from the United States to Australia have held special functions to mark the "historic overture".

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The learn-from-Jiang movement has overshadowed ongoing campaigns to study the Selected Works of Mr Deng and other Maoist or Marxist canon. The Deng children, who are under pressure for allegedly using their father's name to advance various interests, have been told by Mr Jiang's handlers to do their part to burnish the reputation of the "core of the third-generation leadership".

In repeated messages given the overseas media to boost her book *My Father, Deng Xiaoping*, Ms Deng has asked her foreign friends to "shift their focus" to the Jiang Zemin leadership, "where China's hopes lie".

In an interview in New York's *Qiao Bao* [OVERSEAS CHINESE DAILY] last weekend, Ms Deng quoted from a Mao axiom—"We must stretch our eyesight to make [adequate] measurements of the surrounding scenery"—to illustrate her views on Sino-American relations.

Alas, it was Mr Jiang who first revived the late chairman's obscure instruction in order to make a point about foreign policy last year. Mr Jiang's spin doctors have also called upon Politburo members and other senior cadres to invoke the president's name as often as possible.

This was how Politburo member Li Ruihuan, whose party seniority is at least on par with Mr Jiang, couched his birthday greetings to the elder Tibetan statesman Ngapoi Ngawang Jigme: "I come and see you on behalf of General Secretary Jiang Zemin, and wish you good health and longevity."

But in spite of seeming to have sewn up the mandate of heaven, Mr Jiang is disturbed by discordant voices. Shanghai's *Liberation Daily* which has over the past few years repeatedly flouted the Propaganda Department's virtual ban on Deng-related news, made no mention of Mr Jiang when it excerpted Ms Deng's *Qiao Bao* interview.

"Textual analysts" among China watchers have also spotted a strange and derogatory reference to Mr Jiang by his colleagues.

At a gathering last month to mark the 60th anniversary of the Zunyi Conference, which confirmed Chairman Mao's pre-eminent status, cadres including General Liu Huaqing and Politburo member Hu Jintao played up the importance of "a solid and strong central leadership collective and also its core".

"This formulation puts the leadership collective—meaning the Politburo and its Standing Committee ahead of the core, meaning Jiang Zemin," a political observer in Beijing said. "Previously, the core always came before the collective. [sentence as published]"

That this is not mere semantic hair-splitting was illustrated by the fact that Liu and Hu's rendition of the pecking order was reported in some official media but unaccountably dropped from others. Moreover, the Propaganda Department, which is under Mr Jiang's solid control, has reportedly ordered the press to stop using the offending clause.

It is a measure of Mr Jiang's ill-concealed sense of insecurity that he is playing the military card to the hilt.

As old alliances are becoming obsolete and new coalitions being built in the run-up to the post-Deng era, the president knows that only solid army support can help him clinch the day. During a tour of the villages and factories in Hebei Province before the Lunar New Year, Mr Jiang staged a virtual show of force by quite unnecessarily bringing along two army heavyweights: Chief of the General Staff Zhang Wannian and Commander of the Beijing Military Region Li Laizhu.

Defence analysts said Mr Jiang, who is also Chairman of the Central Military Commission, would persevere with his largely successful strategy of "buying votes" in the People's Liberation Army. For example, at the forthcoming National People's Congress (NPC), the PLA will again be rewarded with a double-digit budget increase. Equally important, some top brass such as General Liu, the CMC Vice-Chairman, have been given more say in civilian matters including economic development. Even Chinese cadres were surprised when, during a recent tour of the Shenzhen special economic zone, General Liu, who is no economist, expatiated on issues including experimental trading districts and business integration with Hong Kong.

Meanwhile, potential challengers to Mr Jiang are poised to move in for the kill the moment the president makes a major mistake. NPC Chairman Qiao Shi, who has significantly boosted the authority of the legislature, is expected to underscore the congress' role in "checking and balancing" party and government organs when its plenary session convenes next month.

Mr Jiang needs the legislature's imprimatur for the promotion of controversial preteges Wu Bangguo and Jiang Chunyun as vice premiers. Last week, NPC officials highlighted the fact that there were more than 3.5 million members of people's congresses of various levels, meaning that "one out of every 340 Chinese citizens is a congress deputy", qualified to "take part in and execute state power". The big question for the post-Deng era: for how long will these deputies and other politically awakened citizens put up with Mr Jiang's quasi-feudal statecraft?

Jiang, Li Peng Join Others for Lantern Festival

OW1502060895 Beijing XINHUA Domestic Service
in Chinese 1538 GMT 14 Feb 95

[By RENMIN RIBAO reporter Yang Zhenwu (2799 2182 2976), Central People's Radio Network reporter Liu Zhenying (0491 2182 5391), and XINHUA reporter He Ping (0149 1627)]

[FBIS Translated Text] Beijing, 14 Feb (XINHUA)—It was the joyful occasion of yet another Lantern Festival. Party and state leaders Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Zhu Rongji, Liu Huaqing, and Hu Jintao, together with more than 200 well-known personages of

Beijing, gathered in the Great Hall of the People this evening to relive an old friendship and celebrate the festival.

The Great Hall of the People was decorated with colorful lanterns and indoor plants for the occasion. In a joyful atmosphere, Jiang Zemin, other leading comrades and those celebrities from the literary and art, scientific and technological, theoretical study, educational and journalistic circles, sitting at round tables, had a warm-hearted chat and exchanged greetings with one another.

Hu Jintao, member of the Standing Committee of the CPC Central Committee Political Bureau, began the festivities with a speech extending festival greetings and cordial regards on behalf of the CPC Central Committee to those present, and to all comrades and friends from intellectual circles throughout the country. He thanked them for their contributions to China's reform, opening up, and socialist modernization.

He said: Gathering here today are both many of my old and new friends. I believe this gathering will surely further promote mutual understanding, friendship, and unity among us and enable us to learn more from each other. Let us work under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and under the leadership of the CPC Central Committee with Comrade Jiang Zemin at its core to make new contributions to the thriving of socialist literature and art, science and technology, education, theoretical study, and journalism and to the promotion of China's reforms, opening up, and modernization drive.

"How are you?" At 1940 [0930 GMT], General Secretary Jiang Zemin walked to the main table and cordially shook hands with and said hello to such well-known personages as Mu Qing, Xie Tieli, Wang Xiaotang, Yuan Shihai, Li Delun, Zhang Kehui and, Zhang Junqiu. With concern, Jiang Zemin asked Mu Qing, a noted veteran journalist, about his health. Mu Qing said he is OK and still travels often. After seating himself at the table, Jiang Zemin discussed how to rejuvenate symphony music and the Beijing opera with Li Delun, a famous conductor, and with well-known Beijing opera singers Zhang Junqiu and Yuan Shihai. On Beijing opera, Jiang Zemin said: "The key to rejuvenating Beijing opera lies in having successors." Yuan Shihai told him that many young people are interested in Beijing opera today. Jiang Zemin said with a smile: "It is nice this way." Jiang Zemin said to Li Delun: "We have many influential old revolutionary songs and should constantly broadcast them so as to educate the young people in patriotism and revolutionary traditions."

Premier Li Peng said smiling to Xu Caidong, executive vice chairman of the Central Committee of the Jiu San Society, who was sitting at the same table with him: "I remember that we also shared a table last year." Then, he turned to Tan Yuanshou, a famous Beijing opera singer:

"Are you going to sing an aria today?" Tan Yuanshou replied: "No, I am not. I leave this opportunity to young singers."

Chairman Qiao Shi met noted Beijing opera singer Zhang Junqiu and asked with concern about his health. Zhang Junqiu thanked him and said: "I am well again after some hospitalization, thanks to the central leaders' attention." Qiao Shi nodded with reassurance.

Many well-known personages from intellectual circles present are very familiar with Li Ruihuan, chairman of the Chinese People's Political Consultative Conference National Committee. When Li Ruihuan entered the hall, they extended festival greetings to him. Li Ruihuan cordially gave them his regards. He is a Beijing opera lover. When Zhang Huoding of the Zhanyou Beijing opera troupe was singing "A Young Woman's Dream," Li Ruihuan could not refrain from saying to Jiang Zemin: "This is the Cheng [Cheng Yanqiu] school." Jiang Zemin nodded with a smile and sang along softly with the singer.

The get-together was filled with songs and music. Such musical numbers as "Full Moon," "Fan Sheng [emancipation] Dao Qing [chanting folk tales to the accompaniment of simple percussion instruments]," "Die Lian Hua," "Tchaikovsky Walze," "Moon Reflection in the Water," "Night in the Moscow Suburbs," and "I love You, China" were presented during the get-together. They expressed the singers' deep feelings for the country and the people and won warm applause.

Also present at the get-together were Ding Guangen, Li Tieying, Wu Bangguo, Chen Xitong, Jiang Chunyun, Wei Jianxing, Wen Jiabao, Lei Jieqiong, Li Peiyao, Song Jian, Luo Gan, Wang Zhaoguo, Hu Sheng, Qian Weichang, Zhu Guangya, and responsible comrades of the departments concerned.

Toward the end of the get-together, the party and state leaders and those well-known personages present, led by Jiang Zemin, sang in unison "Sing to the Motherland."

"The five-star red flag is fluttering in the breeze. The revolutionary songs are so loud and clear. Let us sing to our socialist motherland and wish it great prosperity.... [XINHUA ellipses]"

The majestic song resounded in the hall a long time.

Beijing Meeting Marks '1.2 Billion Population Day'

Zou Jiahua Addresses Meeting

OW1502125995 Beijing XINHUA Domestic Service in Chinese 1052 GMT 14 Feb 95

[By reporter Yu Changhong (0060 7022 3163)]

[FBIS Translated Text] Beijing, 14 Feb (XINHUA)—At midnight on 15 February, China's 1,200,000,000th citizen will be born in our divine land. To further arouse

the attention of the whole party and the whole people to the population problem, eight central departments and the Beijing Municipal Government held a "China's 1.2 Billion Population Day" meeting at the Great Hall of the People today. The meeting was aimed at fostering a sense of urgency in family planning work, which tries to achieve the strategic goal of keeping the population under 1.3 billion by the turn of the century.

Vice Premier Zou Jiahua attended the meeting.

It was estimated that in 1994 China's birth rate was 17.70 per thousand and death rate was 6.49 per thousand, with a natural increase rate of 11.21 per thousand. A total of 21.94 million babies were born and 7.71 million people died in 1994. By the end of 1994, China's total population was 1.1985 billion. It has been estimated by the State Statistics Bureau that the country's population will reach 1.2 billion on February 15, 1995. This "1.2 Billion Population Day," which comes nine years late, marks a great event in the history of China's population growth. It shows that China has achieved marked results in carrying out family planning and in controlling over-rapid growth of population. It also tells us that the population situation in China is still not optimistic. Continual and persistent efforts should be made to carry out our basic national policy of family planning. Since 1990, China's birth rate has dropped to fewer than 20 per thousand. It is continuing to drop in a sustained and stable manner. Over-rapid growth of the population has been basically under control during the third birth peak since the founding of the republic. According to international standards, China now has a low birth rate. However, many factors still exist which affect the birth rate in China. Because China has a huge population, the number of women in their child-bearing age, that is between 20 to 29 years old, stands at 120 million. Consequently, the absolute numbers of births remains great. It is still an arduous and urgent task for us to control our population numbers and to promote the quality of our population.

In his speech, Vice Premier Zou Jiahua pointed out: On many occasions, Comrade Deng Xiaoping said that one of China's largest problems is population. He urged us to constantly remember this: China is a big country with a huge population and a weak economic foundation. We can not catch up with the level of advanced countries unless we work hard for a long time. This tells us that it is necessary for us to firmly foster a sense of importance to control population. If we want to make a correct decision on anything, we should take into consideration the population factor. Over the past four years, the CPC Central Committee and the State Council held an annual form on family planning. This gives evidence of their attention and resolution.

Zhou Jiahua said: In essence, the population problem involves economic development. The CPC Central Committee and the State Council have always taken into consideration the population problem in an overall program for economic and social development. In social

development work over the next 15 years, they have also put high on the agenda work to carry out family planning, control population, develop educational endeavors, and increase overall population quality. This will be a key to promoting economic and social development and achieving the strategic goal of modernization in China. He urged all localities to continuously and persistently carry out the current policy of family planning by integrating family planning work with economic development, with the drive to help people achieve a relatively comfortable standard of living through diligent work, and with efforts to build civilized and happy families. He urged all localities to help the people come to realize the importance of having fewer children and improving the economic situation. He said: In this way, we can achieve results in improving material and spiritual civilizations. Efforts should be made to ensure that everyone attaches importance to family planning and population control.

Today's meeting was jointly sponsored by the Propaganda Department, the State Family Planning Commission, the State Planning Commission, the State Statistics Bureau, the State Environmental Protection Bureau, the All-China Federation of Trade Unions, the Central Committee of the Communist Youth League of China, the All-China Women's Federation, and the Beijing Municipal Government. Peng Peiyun, State Councillor and minister in charge of the State Family Planning Commission, presided over the meeting. Attending the meeting were Wu Jieping, vice chairman of the NPC Standing Committee, Qian Zhengying, vice chairman of the National CPPCC Committee, and others.

Peng Peiyun Presides

OW1402220495 Beijing XINHUA in English
1703 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (XINHUA)—Vice-Premier Zou Jiahua announced that the population of China will reach 1.2 billion and tomorrow is to be "1.2 billion population day," at a meeting on the topic in the Great Hall of the People held this afternoon.

The meeting was presided over by Peng Peiyun, State Councillor and minister in charge of the State Family Planning Commission (SFPC), and was attended by more than 700 officials from governmental departments and the United Nations Fund for Population Activities, as well as domestic and foreign journalists.

According to a recent survey on population changes in China's 729 counties and cities conducted by the State Statistics Bureau, 1994's birth rate was 17.70 per thousand with a natural increase rate of 11.21 per thousand.

By the end of the year, China's total population reached about 1.198 billion with 36,000 people being added every day. It is estimated that the country's population is to reach 1.2 billion on February 15, 1995.

Since 1970, when China started a nationwide program of family planning, its birth rate and natural increase rate

have dropped by 15.73 per thousand and 14.62 per thousand, meaning that if family planning had not been carried out the 1.2 billion would have come nine years ago.

Thanks to the introduction of the family planning policy, a favorable climate has been created for the country's fast economic growth and improvement of people's standard of living.

However, "Population situation in China is still not optimistic and the task facing the coming family planning work remains hard," SFPC vice-minister Zhang Weiqing said, and officials with the State Statistics Bureau noted that with a giant population base, some 21 million babies will be added to the population every year, with an annual net increase of 14 million people.

They say that since 1986, China has had around 12 million young married couples each year. This may drive the population up to its third birth peak.

Zhang said that to achieve the goal of keeping the population under 1.3 billion by the turn of the century, the goal was set by the State Council in the program for China's family planning work from 1995 to the year 2000, future family planning work should concentrate on rural areas.

In his speech, Zou noted that even with a low birth rate, close attention should be paid to economic development, elimination of poverty, environmental protection, and education.

Efforts should also be made at improving women's social status, welfare, and medical care for mothers and babies, and to improve social security, he said, adding that a range of measures should be taken to solve the problem of population.

On the special day, a variety of activities are planned for the Chinese capital and other provinces and municipalities throughout the country in order to direct the nation's attention to the issue.

Tightening Population Control Urged

OW1502133395 Beijing XINHUA Domestic Service in Chinese 1403 GMT 14 Feb 95

[By reporters Feng Yingbing (7458 3841 0393) and Han Song (7281 2646)]

[FBIS Translated Text] Beijing, 14 Feb (XINHUA)—At a 14 February symposium by the Chinese Academy of Social Sciences to mark China's 1.2 billion population day, senior officials from relevant government departments, experts, and scholars agreed that if family planning measures are further implemented, China can keep its population under 1.3 billion by the end of this century.

Sun Jingxin, State Statistical Bureau deputy director, pointed out that China's population will reach 1.2 billion tomorrow; and this figure does not include the people in

the Hong Kong, Macao, and Taiwan regions. Director Tian Xueyuan of the academy's Institute of Population Studies said: "China's population would have reached 1.2 billion if we had not adopted the family planning policy and had the population grown at the rate of the early 1970's."

Yang Kuifu, State Family Planning Commission vice minister, said the Chinese Government's policy of combining family planning with economic development has enabled the broad masses of people to understand that lowering the population growth rate is the way to achieve prosperity; and this policy has received popular support in recent years. He added that as the 1.2 billion population day is drawing near, we should conduct extensive publicity to arouse public concern for the population issue.

Academy Vice President Wang Renzhi said: Population is crucial to China's economic and social development. The contradictions between population and economic and social development have not yet been fundamentally resolved. China's national condition calls for continuing to tighten control over population growth.

Economist Liu Guoguang noted that although the rising trend in China's population growth has weakened, the habitual force can continue for the next half century. He appealed to all sectors to attach greater importance to the "issue having a vital bearing on the future destiny of the Chinese nation." He urged academics to step up the study of mechanisms for regulating and controlling population in keeping with the socialist market economy.

The symposium participants said: From now on, control of China's population growth should be placed on the agenda for resources, environment, and sustainable economic and social development. In addition to controlling population quantity, it is also necessary to improve the people's physical and cultural quality and to explore constraints for integrating childbirth, production, and everyday life.

Relevant UN officials also attended the symposium today.

Catholics Flee Homes To Escape 'Brutal Torture'

HK1502060495 Hong Kong SOUTH CHINA MORNING POST in English 15 Feb 95 p 8

[By Agnes Cheung]

[FBIS Transcribed Text] Catholics from two mountain villages in Hebei's Liangzhou county have fled their homes to escape brutal torture they claim officials are meting out under the Government compulsory birth-control programme.

The Catholics accused corrupt officials of extorting money from them, and arresting and torturing villagers when the programme was implemented.

The Catholic villagers of Fengliazhuang and Longtun-gou, who stressed they did follow the one-child policy, appealed to the international community to come to their rescue.

The appeal, dated last December, said the Catholics had dared not remain in their homes since last spring. They claim they have slept in the wild to escape the officials.

Fengliazhuang and Longtiangou, with a largely Catholic population of 2,000, were named key villages for the birth-control programme last year.

The slogan "Better to have more graves rather than more than one child" had been widely publicised in the villages, according to the appeal yesterday, reported by Asianews, an Italian-based Catholic news agency.

The Chinese Catholics claimed that local authorities had set up a court and a prison in town which was equipped with various instruments of torture.

They said the local officials attacked houses and detained villagers. Even sick people confined to bed were carried away. Those detained were handcuffed and fettered, the report said.

If the officials did not find anybody in the houses, they confiscated farm tools, animals and other property belonging to the villagers, the report claimed.

The Catholics said that officials used various kinds of torture to extort money from the villagers, including hanging people upside down and burning their tongues with electric wires.

They said a 40-year-old woman who was sick and failed to escape from the officials was beaten up with an electric baton.

The State Council recently approved a family planning programme for 1995-2000, with more emphasis on education and persuasion.

Plans to combine the programme with economic projects are also under consideration.

However, there have been reports about corrupt officials abusing people when they implemented the policy.

The Chinese Government so far has not stepped up its monitoring of the policy implementation.

Hubei Police Arrest Leaders of 'Religious Sect'

HK1502061495 Hong Kong EASTERN EXPRESS
in English 15 Feb 95 p 7

[By Bruce Gilley]

[FBIS Transcribed Text] Police in central China have arrested 46 leaders of a rural religious sect claiming to have Christian roots.

Hundreds of peasants sold their land to join fellow villagers after leaders of the "Wilderness Narrow Gate"

sect began to spread their faith in the Hubei province city of Yichang, the official Guangdong and Hong Kong information newspaper reported.

At least seven died after refusing medical treatment under the influence of the sect, while several party and government leaders took up posts as "church chairman" and "secretary general".

"These illegal activities created a serious harm to society and had an extremely bad effect," the report said.

"The key elements of the sect were spreading their beliefs everywhere."

Hui Shaoxiang and Yu Fangcheng, both convicted gun traffickers, set up the sect in 1992. By the time police moved in to stop its activities last year, the sect had attracted 630 members in three provinces, Shaanxi, Henan and Hubei. In many villages, more than half of the population and many party leaders were members.

"The mixture of mystery and coercion attracted large numbers of backward, uneducated peasants from mountainous areas," the report said. "They preached that believers had no need to plant crops because God in Heaven would open up the reserves of grain for them. This had a serious effect on production."

Leaders preached that the world will end in 2000. They also told the peasants that the sect's imprisoned Christian prophet, Li Sanbao, would "mete out justice" the moment he was released.

"It was clear they were not any kind of Christians, but rather were stooges of the illegal activities carried out by Li Sanbao for many years.

"Such activities constitute illegal religion and superstition and must be prevented from spreading."

At the end of 1994, police raided the house of a dead leader where members were waiting for him to come back to life. They arrested Hui and Yu and began a systematic crackdown on all the sect's meeting places. Within days, the entire sect had been "completely eliminated", the report said.

The resurgence of superstition in the Chinese countryside has worried Beijing leaders, who fear it may erode the increasingly tenuous links of rural dwellers to the Communist Party. An internal survey of seven counties in one province found 120 people who called themselves prophets of various gods, the official Outlook Weekly [LIAOWANG] reported last week.

"There are even some reactionary organisations which put on the hat of religion to attract followers, set up activity centres and openly oppose the government," the magazine said.

Superstition is one of the "evils" of traditional Chinese society which the Communist Party set about wiping out when it came to power in 1949.

Official Comments on United Front Theory

OW1502065095 Urumqi XINJIANG RIBAO in Chinese
2 Feb 95 p 1

[Unattributed report: "Wang Zhaoguo, in a XINJIANG XUANCHUAN Article, Stresses the Need To Study Deng Xiaoping's Theory on the United Front During the New Period and To Strive To Do Well in Nationality and Religious Work"]

[FBIS Translated Text] In an article in 1995 issue no. 1 of XINJIANG XUANCHUAN [2450 3984 1357 0278 XINJIANG PROPAGANDA] published on 29 January, Wang Zhaoguo, national Chinese People's Political Consultative Conference committee vice chairman and CPC Central Committee United Front Department director, emphasizes: General Secretary Jiang pointed out that "nationality and religious affairs are no trifling matters." This is a very important viewpoint. Party organizations and governments at all levels should pay particular attention to nationality and religious work.

Comrade Wang Zhaoguo's article originated from a speech he delivered at a June 1994 workshop on nationality and religious issues in the new situation, which was jointly sponsored by the CPC Central Committee Organization Department, United Front Work Department, and Party School. It was published for the first time in XINJIANG XUANCHUAN with his consent.

In the article, Comrade Wang Zhaoguo points out: The CPC Central Committee's important articles and speeches on nationality and religious work are of extremely important significance for guiding us to do well in nationality and religious work during the new period. At present, ethnic contradictions in some countries and regions in the world are escalating; religious disputes are glaring, and some of them have evolved into armed conflicts. One of the important reasons our multinational and multireligious country can maintain ethnic unity; enjoy economic development, political stability, and social progress; and maintain the rapid and healthy development of various undertakings, especially economic construction, for 15 consecutive years is that we have a complete set of correct nationality and religious policies, and that we have resolved nationality and religious issues with fairly good results. We should conscientiously sum up our country's successful experience in handling nationality and religious issues, and do a better job of carrying out nationality and religious work in the new situation.

Wang Zhaoguo notes: The key to properly handling various tasks, including nationality and religious work, in the new situation is to have correct theoretical guidance. This guidance is Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics. After the Third Plenary Session of the 11th CPC Central Committee, our country entered a new historical period of reform and opening up, and the united front under our party's leadership also entered a new development

stage. Comrade Deng Xiaoping creatively inherited and developed Comrade Mao Zedong's thinking on the united front, and advanced a series of theoretical viewpoints on the united front during the new period in keeping with the objective requirements for China's modernization drive, the law of history, and the distinctive features of the times. Comrade Deng Xiaoping's theory on the united front during the new period is rich in content, and contains some important expositions on nationality and religious issues. Comrade Xiaoping pointed out: All nationalities in our country have taken the socialist path and forged a new socialist ethnic relationship based on fraternal unity, mutual assistance, and cooperation. We should consolidate the unity of various nationalities and earnestly practice regional autonomy in minority regions. Patriots of all nationalities with different religious faiths have made substantial progress. We should uphold the policy on religious freedom, and expand the united front in religious circles. These important ideas are of great significance for guiding nationality and religious work during the new period. The 14th CPC National Congress called for arming the entire party with Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics. The publication of Volume 3 of the *Selected Works of Deng Xiaoping* has provided the best teaching material and the most powerful weapon for implementing this strategic task, unifying the party's thinking, and educating cadres and people. Volume 3 of the *Selected Works of Deng Xiaoping* is rich, extensive, and profound in content; it contains brilliant expositions on some major economic, political, and social issues in present-day China, as well as many expositions on nationality issues. Comrade Xiaoping's important speech entitled "Accelerate Tibet's Development on the Basis of Ethnic Equality," and his important expositions on nationality and religious issues carried in other articles are concise, comprehensive, and strategically important. They offer an overall exposition of the most basic viewpoints and propositions of the party and state on nationality issues during the current stage. Examples include the viewpoints that we should seek the great unity of the entire Chinese nation; that all Chinese people hope for China's unity; that a divided state is a viewpoint that goes against the national will; that our country's nationality policy is correct and truly reflects ethnic equality; that a very important characteristic of China is the lack of major ethnic disputes; that we should judge China's nationality policy and observe minority regions mainly against the criterion whether ethnic minorities can develop or not; that we cannot abandon our country's autonomy system for minority regions because it is quite good, is consistent with China's conditions, and is our institutional asset; that the greatest superiority of socialism is common prosperity, which embodies the essence of socialism; and that some areas with the right conditions should be developed before others so that they will spur development in areas that lag behind and eventually achieve common prosperity. These important ideas reflect Comrade Deng Xiaoping's stand, viewpoint, and

method on handling our country's nationality issues during the new historical period, and are an important aspect of the theory on building socialism with Chinese characteristics. We should combine the effort to study Comrade Xiaoping's theory on building socialism with Chinese characteristics with the effort to study Comrade Xiaoping's important expositions on nationality and religious issues during the new period so that we will gain a thorough understanding of their essence, arm ourselves and guide our actions with this theory and expositions, and strive to do well in nationality and religious work.

XINJIANG XUANCHUAN is a publication that guides the autonomous regional party committee propaganda department's work. Formerly published in thirty-two mo format, it was changed to sixteen mo format in 1995. In addition to retaining the original columns, the reformatted XINJIANG XUANCHUAN introduced a number of new columns. Comrade Wang Zhaoguo's article was published in the newly introduced column entitled "Special Article in This Publication."

Officials: Marxism Must Guide Academic Study

OW1502085195 Beijing XINHUA in English
0813 GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—Officials said here today that the guidance role of Marxism in the studies of social sciences will remain unchanged and is vital for China's efforts to promote academic activities.

"We must build the Chinese Academy of Social Sciences (CASS) into a solid front of Marxism," said Wang Renzhi, deputy president of the academy.

However, he told a working conference of the academy that, meanwhile, all schools of thought are encouraged to contend, and different views are allowed to be aired.

"Valuable research done by non-Marxists should also be approved under the principle of safeguarding academic democracy," the official promised.

He added that the theory of building socialism with Chinese characteristics proposed by Deng Xiaoping is the form of Marxism in contemporary China. And it is the lofty mission of CASS to research into and spread the theory.

Officials and scholars attending the annual meeting agreed that the upholding of Marxism is consistent with the famous principle of "Letting One Hundred Flowers Blossom and One Hundred Schools of Thought Contend" set forth by the late Chairman Mao Zedong in 1955.

They also insist that only through free discussions by experts and scholars can right or wrong be decided as regards academic arguments.

"Even Marxism will absorb nutrition from the confrontation of different opinions, and in this way it will be

developed and enriched, and its guidance role in the studies of social sciences reinforced," said Wang.

He revealed that CASS's Institute of Marxism-Leninism will be preserved, but some readjustments are to be introduced. For example, three new research departments, including a department of Marxism and Maoism, will be formed under the institute.

Meanwhile, some of the institute's programs are expected to be handed over to economists and philosophers in other institutes. In addition, CASS has set up a special center to study the theories of Deng Xiaoping, Wang noted.

"We will re-mobilize our forces to make breakthroughs in the studies of Marxism in the coming five or six years," he said.

However, according to the official, some practical studies are also expected to be strengthened, namely finance, social welfare, economics, international law, intellectual property rights and foreign trade.

Government Increases Funds for CASS

OW1502090595 Beijing XINHUA in English
0829 GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—The Chinese Academy of Social Sciences (CASS) last year received 119.31 million yuan (about 14 million U.S. dollars) from the central budget for covering daily costs, up 31.8 percent over the previous year, it was announced here today at the academy's annual work meeting.

The central government also gave CASS another 36 million yuan (about 4.1 million U.S. dollars) last year to improve its infrastructure.

The meeting revealed that CASS's funding has registered an average annual increase of 16 percent over the past few years.

"Increasing funding has improved the environment for academic work and steadily improved scholars' conditions," said Wang Yatian, director of the management bureau of CASS.

He said that the Chinese leaders are paying great attention to CASS and they are expecting more suggestions and information from the academy's experts.

Last year CASS completed several programs assigned to it by the central government, Wang added.

Academic Urges Reforms of Surplus Rural Labor

HK1502061295 Hong Kong EASTERN EXPRESS
in English 15 Feb 95 p 8

[By Didi Tatlow]

[FBIS Transcribed Text] China must adopt a series of radical reforms to prevent rural surplus labour from

becoming an explosive social problem, according to a researcher from one of China's pre-eminent think tanks.

Dr Li Cheng, from Shanghai's Research Institute for International Affairs, has called on the Chinese government to seize the opportunity presented by the huge roving labour force and make social changes to tap their economic potential for the benefit of the country.

Estimates of the size of China's surplus rural labour varied, but it was thought to number about 200 million of a total rural population of 797 million. This meant that an unemployed population "nearly the size of [the population of] the United States" was on the move in China and searching for work, according to Li.

"No other single pressure in society is more important than the pressure caused by surplus rural labourers", he said.

A number of factors have produced this situation, and one of the most important was the loss of arable land to industry as China followed its programme of economic reforms. Li said about 50 million hectares of arable land was lost to industrial development in the period 1990 to 1993. Local governments were either indifferent to or in many cases supported the changes in land use, he said.

China already supports a population density of 121 persons per square kilometre, three times higher than the world average, and the loss of land was throwing farmers out of work in their millions.

The natural population increase of 40 million per year was adding approximately 10 million people to the rural workforce annually.

Statistics from the Public Security Bureau indicated that there was one migrant labourer for every three residents of Shanghai, but this was "only the tip of the iceberg", Li said.

"You only need to look at the human drama that is the train system at lunar new year. I travelled on a train in China then that was so full there were nine people sitting in every toilet, and if you lifted your foot off the ground you could not find space to put it down again."

The surplus labour force in the cities was largely outside normal channels of control, Li said. Although they were required by law to register with the government, the overwhelming majority of people had neither identity card nor registration for the city they were in. Urban residents in China must have an urban registration card entitling them to live in the city.

Despite the apocalyptic vision of a labour force the size of entire nations on the road looking for work, Li said the government should see the problem as an opportunity for China's development.

He called for the development of labour intensive infrastructure projects in areas like transportation, an idea similar to former US President Franklin Roosevelt's New Deal of the 1930's.

Crucial among the reforms the government must implement was the reallocation of the state's financial resources, he said. Some provincial governors, notably Xiao Yang of Sichuan province and Ma Zhongchen of Henan province, understood the potential to China of the surplus labour population, Li said.

"They have said that these people help narrow the gap between rich and poor areas of the country by transmitting money and knowledge back home," he said. "And these governors are powerful people."

The government should not spend money on projects such as the Three Gorges dam "but should reallocate resources wisely, by investing in social welfare, job information centres at all levels, and a tertiary industry." He warned that if the government chose to respond to the pressure of the migrant workers with restrictive measures "it would be a disaster". This danger remained a possibility because at the moment they want to retain control, he said. The wide powers of the army meant solving the problem could be politically difficult, he warned.

The military had a different agenda and its interests were not affiliated to local interests, Li said, whereas the problems caused by the unemployed called for local responses to local problems.

Analysts in China were calling for the abolition of the urban registration system in order to permit the surplus labourers to settle down and get access to housing and education, Li said.

"The river can flood the boat, but it can also carry it along," he said, in an allegory of the present dilemma which faced the government.

Welfare Plan Designed 'To Contain' Social Unrest

HK1502060095 Hong Kong SOUTH CHINA MORNING POST in English 15 Feb 95 p 1

[By Willy Wo-lap Lam]

[FBIS Transcribed Text] The Chinese leadership has tried to contain worker unrest by introducing an unprecedented plan for unemployment insurance and job training.

The radical measures were approved by a special meeting convened by the State Council to tackle growing labour hardship and social disorder. Participants included senior cadres from the Labour Ministry, the State Planning Commission, the Ministry of Civil Affairs and the Ministry of Public Security.

The leadership was told by labour and police experts that the proportion of urban workers "in dire straits" had grown from five per cent in 1993 to eight per cent last year.

These desperate urbanites, mostly laid-off workers or employees who have not been paid, have been responsible for sit-ins, attacks on factory directors and small-scale riots.

Government sources said the leadership decided to introduce a "social insurance system enshrined in law and based on efforts of the entire society".

A key decision was to pay workers unemployment benefit for three months starting with 10 "experimental" cities including Beijing, Shanghai, Shenyang and Harbin. They would simultaneously be given counselling and other help by local labour bureaus to find work. Those still not placed would qualify for the dole for another three months. Workers who want to "save themselves" by taking over an unprofitable state enterprise or starting a new company would qualify for special state subsidies.

At the same time, a broader programme codenamed "re-employment engineering" will be implemented in 300 cities, under which laid-off workers and employees in "sunset industries" will be given free training for at least six months in new, more marketable skills.

It is understood that Beijing's goal is to set up a "scientific labour management system" within two years to monitor national unemployment in order to determine "dangerous thresholds of joblessness"—levels that would precipitate social unrest in different cities.

SEC Issues Provisions on Foreign-Funded Schools

OW1502025295 Beijing XINHUA in English
0206 GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—Foreign legal persons, individuals and relevant international organizations are encouraged to co-operate with Chinese counterparts in running schools.

The State Education Commission (SEC) issued here today the "Temporary Provisions for Sino-Foreign Co-operation in Running Schools", which make it clear that China welcomes co-operation to improve the quality of its education and meet China's need for trained people.

The five-chapter set of rules stipulate that Sino-foreign co-operation in running schools must be conducted within the scope of Chinese laws and regulations.

Wei Yu, deputy minister in charge of the SEC, told a press conference held by the Information Office of the State Council that such Sino-foreign co-operation must not be carried out merely for the sake of getting hold of more funds.

She stressed that co-operation in running schools should not encroach on China's educational sovereignty or the interests of the society.

As Wei noted, some foreigners have invested in schools just for the purpose of making money, some foreign

investors did not have reliable credit, and some chose fields unsuitable for Sino-foreign co-operation.

Sino-foreign co-operation in running schools means that foreign legal bodies, individuals and international organizations and Chinese educational organs and social groups with the status of legal person may jointly open schools within Chinese territory, enrolling mainly Chinese citizens.

According to the temporary provisions, China will examine the motives, credit and academic standing of foreign applicants with caution before granting their requests.

Wei said that China encourages co-operation which can promote China's exchanges and co-operation in education with other countries.

China will help those who can train people in skills badly needed by the country, she added.

The provisions say that educational co-operation carried out according to the temporary provisions will be protected by law.

It is learned that until the Chinese State Council issues regulations on Sino-foreign educational co-operation, the provisions will apply.

'Gradual Improvement' Seen in Prisoner Reform

OW1402160495 Beijing XINHUA in English
1529 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (XINHUA)—The latest figures indicate that a gradual improvement in the results of rehabilitation in prisons has been shown in China in recent years.

According to statistics released today by the Ministry of Justice, the rate of criminal offenses inside prisons declined to 0.053 percent in 1994 from 0.42 percent in 1983, while the rate of runaways decreased to 0.127 percent from 0.69 percent at the same time.

Since the early 80s when special schools began to operate inside jails, more than 1.41 million certificates at various levels have been awarded to convicts, and 1.16 million technical ratings certificates were handed out, the report said.

More than 90 percent of the ex-convicts became law-abiding citizens upon returning to society, and the rate of second time offenses have been held effectively to between 6 and 8 percent, the report said.

China's prisons also run psychological treatment and consultation centers to help the mentally or psychologically disturbed convicts at rehabilitation.

Of the 685 prisons in China, 157 set up psychological treatment centers and 54 run consultation services. More than 17,000 patients in prisons received such treatment over the past 10 years, according to the figures.

Since 1989, China has put different persons in different cells, and has educated them according to their different backgrounds. The practice has now been adopted nationwide, a judicial officer said.

Before the publication of the country's first prison law at the end of last year, 255 provisions and regulations were made to put prison work on a legal footing.

The ministry said that the New China has successfully imprisoned and reformed 10 million prisoners, and the number of prisoners by the end of 1994 amounted to 1.28 million.

Authorities Issue Streamlined Quarantine Measures

*HK1302141395 Beijing ZHONGGUO XINWEN SHE
in English 1306 GMT 13 Feb 95*

[FBIS Transcribed Text] Beijing, February 13 (CNS)—The hygiene and quarantine authorities in China will strictly enforce the "National Hygiene Quarantine Law" and "International Hygiene Regulations" to prevent the spreading of infectious diseases in and out of the country. The authorities will introduce a series of new measures which include more efficient execution of relevant laws, simplification of the quarantine procedures and provision of quarantine services at ports.

Firstly, regulations for travellers going in and out of China will be modified: the content of the health declaration cards is to be simplified and only travellers coming from infectious disease-hit areas will be scrutinized. Travellers coming from foreign countries not struck by infectious diseases are exempt from completing the health declaration cards.

Secondly, the checking procedures for incoming and outgoing vehicles, aircraft, vessels and containers will also be improved. Declaration by vehicles at the port control-points will be eliminated and all incoming vehicles and cargoes, if they are not from infectious disease-hit regions or carrying scraps, are allowed to pass through. For airplanes, unless they are from infectious disease-hit regions or carrying affected patients or victims who have died in accidents, hygiene and quarantine officials will not board the plane to check passengers. Instead, the state of health of the travellers will be checked and reported by civil aviation officials on board by a paperless method through telecommunications. On vessels, the method of quarantine by telecommunications is to be also enforced. For incoming vessels, unless they come from infectious disease-struck regions, quarantine inspections can be carried out while they are not anchored. On outgoing vessels, health declarations can be made to the hygiene and quarantine authorities by officers of the vessel or their agent, prior to departure, without the quarantine officials boarding the vessel if the port is infectious disease-free. For cargo and container imports, declarations at the customs checkpoints at their final destinations only are necessary, followed by

hygiene and quarantine officials carrying out checks on the vehicles and cargo basins at the ports.

Beijing Approves First 'Western Rock Concert'

*HK1502061095 Hong Kong EASTERN EXPRESS
in English 15 Feb 95 p 8*

[By Bruce Gilley]

[FBIS Transcribed Text] More than 12,000 Beijingers and "a large number" of central government officials will pack into the Capital stadium on Sunday for China's first Western rock concert in almost a decade.

The Swedish pop band Roxette will be the first foreign performers allowed into the country from a place other than Hong Kong or Taiwan since the British rock group Wham! played a sell-out concert in Beijing in 1985.

Diplomats have expressed surprise at the approval of the concert, which Roxette managers won only after submitting a concert video to the Ministry of Culture and waiving the performance fee.

"It took us by surprise because other Western performers have been rejected in recent years," Mattias Lentz, a cultural officer at the Swedish embassy in Beijing, said.

China's informal ban on Western pop performers in the mid-1980s coincided with the launch of an "anti-spiritual pollution" campaign aimed at preventing the spread of foreign influences among the country's youth.

While the policy continues to hold sway over ideologues, observers believe Beijing may be dealing in "pop concert diplomacy" with the latest move.

As Chinese pop stars and modern films have moved into Western markets, criticism has grown that exchanges are becoming one-sided.

The American rock idols Madonna and Michael Jackson, as well as a number of avant-garde European art exhibitors, have been given the thumbs down by Beijing in the past few years.

"We made it clear to the Ministry of Culture that we consider this to be a cultural exchange which is as important as our normal exchanges," Lentz said.

"We will hold a reception for the band on Saturday and we expect a large number of ministry officials to attend the concert itself."

Lentz declined to speculate on possible political reasons for the approval, but said the Swedish group's traditional style may have helped win them the concert date, which is part of an Asian tour to promote their recent album, *Crash, Boom, Bang*.

"It's not like heavy metal from Germany. The Chinese wanted something cleaner," he said. "Roxette is a traditional rock group which is not in any way offensive."

Plans for dates in Shanghai and Guangzhou were dropped because of the time it would have taken to get approvals. Lentz hoped the Beijing date would not be followed by another decade-long lock-out of Western pop groups.

"We hope this will be a second beginning, so that others may follow," he said. However Roxette will pay for its pioneering efforts. To make the concert affordable, the group agreed to waive its performance fee of about US\$100,000 (HK\$780,000), including travel expenses.

"They were so interested in the idea, and they wanted to see Beijing," Lentz said.

Prices for the 12,000 tickets range from 50 to 600 renminbi (HK\$45-\$550). As of yesterday, all of the top price tickets had been sold and promoters expected the cheap seats to be snapped up before Sunday.

Ironically, the concert will coincide with Sino-US talks over copyright protection in Beijing, where Chinese piracy of Western pop CDs is a big issue. For Roxette, as with many bands eager to crack the huge Chinese market, the US negotiations may be a mixed blessing.

"Of course, you can find Roxette CDs on the pirate market here as well," Lentz said. "But if they had not been pirated in China then the band would not be well known."

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Military & Public Security

Heilongjiang Secretary on Public Security

SK1502040495 Harbin HEILONGJIANG RIBAO
in Chinese 21 Jan 95 p 2

[Speech by Yue Qifeng, secretary of the Heilongjiang party committee, at the provincial judicial, procuratorial, and public security work meeting held on 19 January in Harbin: "We Should Emancipate Our Mind, Actively Forge Ahead, and Achieve Success in Judicial, Procuratorial, and Public Security Work in the Entire Province, With the Focus on Economic Development"]

[FBIS Translated Text] Recently, the provincial party committee systematically listened to reports from several units of political and legal commissions, public security departments, people's court, people's procuratorates, departments of justice, and departments of state security; it changed opinions on the situation of the judicial, procuratorial, and public security work as well as the major tasks for 1995. Generally speaking, the working layouts, targets, tasks, and guiding thoughts of all judicial, procuratorial, and public security departments are clearly defined; as long as we give priority to paying firm attention to their implementation, we can achieve larger and better results in every aspect of work than we did last year.

Judicial, procuratorial, and public security is an important aspect of our overall work. In order to carry out the four cardinal principles, we should insist on the people's democratic dictatorship; should strengthen judicial, procuratorial, and public security work; and should bring into full play the functions of the judicial, procuratorial, and public security departments. The important function of the judicial, procuratorial, and public security department's dictatorship is to strike blows, the main function which cannot be discarded. However, dictatorship is only one aspect; the most important is to protect people, maintain security, and enhance development. Therefore, in the report meeting, we set forth the question of how to give a better play to the judicial,

procuratorial, and public security department's overall function of striking blows, protecting, doing service, and promoting under the new situation. As everybody knows, the function of striking blows is to strike blows against criminal crime, economic crime, and all kinds of sabotage by hostile forces at home and abroad. The function of protecting is to protect the safety of the state, of state property, of the people, and of the people's property. The function of doing service is to service the general task of economic construction, reform, and opening up. The function of promoting is to promote the development of the economy. This needs the forefront of us to do a good job in studying and suiting ourselves to the requirements of the new situation, and henceforth bring into play all the functions of the judicial, procuratorial, and public security department to strike blows, protect, do service, and promote. All judicial, procuratorial, and public security departments should conscientiously study and comprehend Comrade Xiaoping's theory of building socialism with Chinese characteristics; study Comrade Xiaoping's and the central leading comrades' expositions regarding judicial, procuratorial, and public security work; arm ourselves; further emancipate our mind; creatively conduct work; pay attention to accumulating the experiences on this aspect; and improve our ability in achieving success in judicial, procuratorial, and public security work under the new situation. It is believed this question can be resolved through the hard work of the comrades from judicial, procuratorial, and public security departments.

In the work report meeting, some questions were also put forward, such as what the focus of the 1995 judicial, procuratorial, and public security work would be, and what the target would be. Some ideas were also set forth: First, we should maintain the basic social stability of the entire province and prevent it from experiencing large disturbances. Second, in striking blows against criminal crimes, it is imperative to decrease major and appalling cases as well as vicious crimes. Third, we should promote the people's sense of security. Fourth, the environment for the legal system should be greatly improved. Fifth, new headway should be made in improving the image among the people of public security and judicial cadres as well as police. We held these as minimum requirements, and may say we achieved the basic tasks if we meet these requirements. As regards the question of whether we can achieve these requirements and how we can achieve them, we earnestly hope all public security and justice departments will conscientiously discuss them and achieve success in implementation. Of course, all public security and justice departments have their own work, business, and tasks. For example, the people's procuratorate should achieve success in striking blows against economic crimes. The justice department still has to work on education to disseminate laws, reform through labor, and reeducation through labor. Enterprises run by labor and reeducation reformatories will have no way out if they do not transform themselves and

enter the market. Therefore, all public security and justice departments should achieve success in their own tasks.

The overall work layout, on which Comrade Guoliang made a speech, should be conscientiously carried out. I will talk about several questions to be referenced for your work.

1. Judicial, Procuratorial, and Public Security Work Should Conform to the Party's Overall Work Situation

Early last year, the party Central Committee set "grasping opportunity, deepening reform, opening up wider to the outside world, enhancing development, and maintaining stability" as the overall work situation of the party and state. The state economic work meeting, which was held by the central authorities not long ago, further defined it as the basic guideline that the Entire party should persist in. In the state judicial, procuratorial, and public security work meeting, General Secretary Jiang Zemin emphasized again that judicial, procuratorial, and public security work should conform to the overall work situation, and should provide a good service to the overall work situation with more initiative. Therefore, conforming to and providing service to the party's overall work situation is the basic political principle and basic guideline for Heilongjiang's judicial, procuratorial, and public security work.

In the past year, under the guidance of the great banner of Comrade Deng Xiaoping's thoughts on building socialism with Chinese characteristics, we proceeded from the party's overall work situation and accelerated economic development. The economy has made headway, society has remained stable, and a bumper agricultural harvest has been reaped throughout the entire province. Last year, the grain output exceeded 25 billion kg; the gross domestic product increased 8.3 percent as compared with last year, the fastest year in recent years. The growth of industrial output was accelerated, and new economic growth developed with greater speed. Opening up to the outside world, with emphasis on cooperation with the south, was more brisk; new headway was made in the people's standard of living; the market was prosperous; and all undertakings made new development. The results achieved were the fruit of all Heilongjiang's nationalities working hard together under the party Central Committee and the State Council's leadership and concern; they were also the result of the hard work of the judicial, procuratorial, and public security front. The broad masses of Heilongjiang's judicial, procuratorial, and public security cadres and police, under the leadership of party committees and governments at all levels, focused on the overall idea of economic development set by the provincial party committee; brought into full play the function of judicial, procuratorial, and public security organizations; accomplished in a fairly good manner all tasks; maintained the basic stability of Heilongjiang's political and social security; and made active contributions to deepening reform,

opening up wider, and developing economy. On behalf of the provincial party committee and provincial government, I express heartfelt gratitude to you, and through you, to all cadres and police on the judicial, procuratorial, and public security front.

The year 1995 is a critical year which serves as the link between the accomplishment of the "Eighth Five-Year Plan" and the stipulation of the "Ninth Five-Year Plan." It is also an important year to implement the overall economic development thoughts set by the third plenary session of the seventh provincial party committee; to deepen reform, open up wider, and enhance development; and to maintain stability. When we never slacken our efforts on the "first battlefield" of agriculture and state-owned enterprises, we should actively open the "second battlefield" of economic development. We should make great efforts in cultivating the new economic growth point, and should initially establish the socialist market economy system and achieve the strategic goal of 300-percent growth and a moderately prosperous life by the turn of the century. This is the overall thought of the provincial party committee's economic work; it is the overall work situation of Heilongjiang; and it is also the goal to fight for every front, including the judicial, procuratorial, and public security front. This means Heilongjiang's judicial, procuratorial, and public security departments at all levels and the broad masses of judicial, procuratorial, and public security cadres and police should firmly foster the ideas of taking economic construction as the core, and make judicial, procuratorial, and public security work firmly focus on, conform to, and provide service to the core of the economic development. They should do a good job in providing service to enhancing Heilongjiang's reform, opening up, and economic construction. They should firmly foster the idea that judicial, procuratorial, and public security work should promote the development of productive forces and protect economic construction. They should firmly focus on the thoughts for economic development decided on by the provincial party committee. They should support and achieve success in agriculture and state-owned large and medium enterprises. They should enhance opening the "second battlefield" of economic development, and work hard to make contributions to achieving 300-percent economic growth and a moderately prosperous life in Heilongjiang in the time scheduled. They should foster the brand new idea to manage an open society and a market economy; grasp the fundamental standard of the "three advantages"; and properly handle the relationship between reform, opening up, and management according to law in real work. On the one hand, they should make great efforts to promote, resolutely support, and protect those practices beneficial to reform, opening up, and economic construction according to law. On the other hand, they should eliminate those practices harmful to reform, opening up, and economic construction according to law. It is imperative to handle according to law those unlawful behaviors which sabotage the socialist market economy; work hard

to create a nice environment of legal system which is beneficial to deepening reform, opening up wider, and accelerating development; and encourage more people to come to Heilongjiang to invest, construct, tour, and do business. Among those present at this meeting are leading comrades on the judicial, procuratorial, and public security front as well as the leading comrades who are in charge of judicial, procuratorial, and public security work. I hope the judicial, procuratorial, and public security front will conscientiously resolve these problems in practice; will really bring into play the function of striking blows, protecting, providing service, and promoting; and make the thought of providing service to the party's overall work situation to be embodied by all cadres and police and to be implemented in all specific law-enforcing activities.

2. Judicial, Procuratorial, and Public Security Organizations Should Make Contributions To Carrying Out the Strategic Goal of Economic Development Decided on by the Provincial Government

To achieve 300-percent growth in GNP at the end of this century is an important aspect of Comrade Xiaoping's strategic thought. Most places in the state can achieve 300-percent growth ahead of schedule, while Heilongjiang is in danger of failing to fulfill the task.

Therefore, to mobilize all people in Heilongjiang to emancipate the mind, uplift the spirit, be one in heart and one mind, build an enterprise through arduous efforts, and fight to achieve the goal of increasing GNP by 300 percent and reaching a moderately prosperous life is the central task for Heilongjiang's party and governmental organizations at all levels and every front in the following six years; it is also an important task for judicial, procuratorial, and public security organizations. Judicial, procuratorial, and public security organizations, in an effort to contribute to realizing the strategic goal of economic and social development set by the provincial party committee, should ensure basic stability for the entire province; decrease major and appalling criminal cases as well as vicious crimes; increase the people's sense of security; further upgrade the image of public security and judicial cadres and police; and improve the environment of the legal system. To achieve this, judicial, procuratorial, and public security organizations should play an active role in the following three aspects:

First, the function of judicial, procuratorial, and public security organizations should be brought into full play, and social stability should be maintained with great efforts. Stability is a major issue for the entire party and entire state. We will not achieve anything in a social environment without stability. Judging from our real situation, we can say most of our stability lies in the bumper harvest of agriculture with a grain output exceeding 25 billion kg. Of course, we also have small unstable factors; to resolve these problems in a fundamental manner, we should develop the economy and

increase income. Therefore, backward economic development is the main contradiction in our province, and to promote the economy is the base for resolving all social problems. Party committees and governments at all levels, in accordance with the thoughts of economic development set by the their plenary session of the seventh provincial party committee, should wholeheartedly achieve success in economic development and enhance the social stability of Heilongjiang through developing the economy, making the economy prosper, and promoting the level of people's lives and income. However, to accelerate economic development, we need a stable social environment. Therefore, when we concentrate our efforts on construction, we should make safeguarding stability an important political responsibility for party committees and governments at all levels, should implement the strict system under which leaders hold responsibility, and should promptly remove unstable factors within an organization or at the grass roots with a high sense of political responsibility. We should take this as discipline. When we emphasize that party committees and governments at all levels should pay attention to stability, we do not mean to decrease the responsibility of judicial, procuratorial, and public security organizations. Judicial, procuratorial, and public security departments should always remain alert; keep a close watch on social trends, especially trends in sensitive and vital areas; and provide good references to party committees and governments by giving accurate information ahead of time to assist them in handling these problems properly and on time.

Second, judicial, procuratorial, and public security organizations should play the role of the main force to create a nice public security order for the economic development of the entire province. The problems of social security have always been a hot issue with the people. The current situation in Heilongjiang is that major and appalling cases and vicious violent crimes such as murder and robbery are quite common; cases of fraud are also abundant. People are very dissatisfied with this. How to effectively strike blows to and stop these crimes is the people's urgent requirement for the party and government, and is also a trial of our party's ruling ability. Therefore, how to prevent the occurrence of major and appalling cases, as well as the vicious crimes of murder and robbery, should be taken as an important link and task for judicial, procuratorial, and public security departments to carry out the function of dictatorship. The first step we should take is to strike relentless blows against crimes according to law as soon as possible; this is an effective special precaution to stop crime. The question should be studied thoroughly, and several large movements should be made yearly. It is imperative for judicial, procuratorial, and public security departments to concentrate efforts on resolving this problem. When crimes occur, especially major crimes having a bad influence, we should concentrate our efforts on inspecting them, solving them, and sentencing the criminals as soon as possible. Wherever there is a sinister

gang, we should terminate it in an effort not to allow the criminals a breathing spell, and should resolutely keep the criminal's rampant bluster under control. The second step for us to take is to strengthen the management and control over open society. Different from the time of the planned economy, now people, money, and material circulate in large volumes, and the entire society is a dynamic and open society with a lot more conditions and opportunities that criminals can make use of. Only by taking effective measures in accordance with the characteristics of an open society can we promote our ability to keep society stable. We should study and accumulate experience in this regard during practice. Currently, we should give priority to controlling potential criminals, such as persons released from reform and reeducation through labor, young delinquents, and all kinds of suspects, as well as the floating population. We should do a good job in controlling places where crimes may occur. Since now the doors of the sea, land, and air are open, how to manage and control them and how to manage and control the places where people eat, live, and travel are problems we should make efforts to study. We cannot effectively check crimes without achieving success in these problems. The third step for us to take is to painstakingly explore the effective way of combining the tasks done by special organizations and the mass line under the new situation; this is also the glorious tradition of the public security and justice front which should not be forgotten.

We should fully mobilize and organize the masses to participate in all kinds of mass crime prevention and control activities and to actively struggle against crimes. We should also bring into play the professional forces of armed police, police, and public security departments and, with the coordination of the mass public security force, form a multi-layered, all-weather, and reasonably organized public security control network which is quick to respond. We should also actively and effectively achieve success in the prevention and management of fire hazards, transportation, and major accidents arising from negligence. Not only the judicial, procuratorial, and public security departments should take charge of the public security, but also the party committees and governments at all levels and all quarters in society should be responsible for it. We should follow the requirements of the central authority, take responsibility for protecting the public security of areas in our jurisdiction in a down-to-earth manner, and work with one heart and one mind to create an environment with good public security for Heilongjiang's economic development as well as for the endeavor to make people live and work peacefully and contentedly.

Third, we should bring into full play the law's function to regulate the economic relationship, and create an orderly environment with a legal system for the whole province's economic development. The market economy is an economy within a legal system, and the judicial, procuratorial, and public security departments are the state's significant departments to enforce the law and they are

irreplaceable in regulating economic relationship and safeguarding the order of the market economy. Under the condition of a market economy, new situations and new problems continue to emerge in the economic field, and we should not only exercise the essential administrative as well as economic means but we should also take the legal means. If the state does not take measures in light of a macroeconomic viewpoint, it will be difficult to fundamentally resolve some problems. We should fully perceive that there are many different characteristics and laws governing the planned economy and the market economy. As the market economy is not fully developed, some problems are difficult to handle. It is especially during the formation of the socialist market economy system, that we should study some of the rules in the economic and social lives as well as some standardized measures for economic activities. Therefore, when we handle problems that arise in the process of developing the market economy, we should conscientiously investigate, study, and approach them with great care in an effort not to cause great social impact. We should differentiate ordinary economic disputes from economic crimes such as fraud. We should differentiate reasonable payment earned from the transfer of knowledge and technology, brokerage, and legitimate labor, from embezzlement and bribe-taking. We should differentiate the reformer's mistakes during bold experiments from law violations and crimes. We should differentiate indispensable management and marketing means from bribery. We should have new ideas on understanding these questions, properly handle the relationship between striking blows, protection, and providing service, and strictly and scientifically enforce the law and current policies. We should not connive with criminals who seriously sabotage the order of the socialist market economy by smuggling, fraud, tax evasion, manufacturing and selling bad-quality counterfeits, and bribing, but we should also not strangle the bold exploration of the grass roots and the masses in order to accelerate economic development. We should actively cultivate the healthy development of the new economic growth point, safeguard the legal management and legal rights of all kinds of economic sectors, safeguard the economic activities dealing with foreign nationals as well as the legal rights of the foreign businessmen, safeguard those reformers, especially controversial reformers, enhance fair and reasonable competition in the big environment of the market economy, and create a good environment of legal system for Heilongjiang's economic construction.

3. We Should Build a Qualified Judicial, Procuratorial, and Public Security Contingent Which Suits the Requirements of the Socialist Market Economy.

The work volume of the judicial, procuratorial, and public security front is large, the task heavy, the environment tough; and the difficulties of work continue to increase as new problems continue to emerge under the new situation. Under this condition, it is difficult to suit the needs of tasks without a contingent which is large

enough, of high quality, well equipped, and capable. Therefore, strengthening the building of the judicial, procuratorial, and public security contingent is a significant task, and it is also an important guarantee for the success of all the judicial, procuratorial, and public security work. As the state's judicial, procuratorial, and public security work meeting took strengthening the building of the judicial, procuratorial, and public security contingent as one of the key points of this year's work, central authority's emphasis on the building of the judicial, procuratorial, and public security contingent manifest itself. Judging from the current situation of Heilongjiang's judicial, procuratorial, and public security contingent, generally speaking, this contingent is capable in combat, and it is also a contingent that the party and people can trust. This should be fully confirmed in the performance of exceptional results in tough and dangerous working conditions. But as this contingent expanded in a fast manner with the continuous addition of new members, and plus the factors that their payment was low, equipment backward, means bad, and education and management unimproved, many problems that should not be ignored persisted, and some of the problems were even serious. For example, some of the cadres and police were imbued with the special privilege mentality, enforced the law in an uncivilized manner, and faced the masses with frowns and cold eyes. Some of them even abused their power to seek personal gains, took bribes, and bent the law, seriously harmed the image of the judicial, procuratorial, and public security organizations, and exercised very bad influence on the masses. There were also many judicial, procuratorial, and public security cadres and police who failed to perform well. Some of the grass-roots cadres and police were not familiar with their own work, enforced law in a fairly bad manner, lacked essential training and practice, and were unable to suit themselves to the requirements of the judicial, procuratorial, and public security work under the new situation.

If we do not conscientiously resolve the problems described above, the overall function of the judicial, procuratorial, and public security contingent will be affected, and the contingent will fail to play an important role in rejuvenating Heilongjiang's economy.

To strengthen the building of the judicial, procuratorial, and public security contingent under the condition of a market economy, at present, we should give priority to improving the image of the judicial, procuratorial, and public security cadres and police, and really establish a grand and nice image of them before the masses. This is not only the need of the historical mission of the judicial, procuratorial, and public security organizations in the new period, but it is also the ardent expectations of the party and the masses. To establish a nice image of the broad masses of the cadres and police, firstly, we should improve their education. We should emphasize positive education, and upgrade their political and vocational level. As there is a fairly large proportion of party members in our contingent, we should strengthen the

building of party organizations and the party members' education, and bring into full play the grass-roots party organizations' function as combat bastions and the party members' function as the exemplary vanguard. We should cultivate and establish more advanced models on a grand scale, and publicize the broad masses of the cadres and police' exemplary deeds of devoting themselves disinterestedly and enforcing the law without bias. While the whole province is carrying out the "three grand spirits," the judicial, procuratorial, and public security organizations should take the lead in this activity, and they should also publicize the typical example of the judicial, procuratorial, and public security front. We should educate the cadres and police to carry on our fine tradition and style that the party is closely linked with the masses, firmly foster the viewpoint of believing in the masses and depending on the masses, master the masses work, and modestly learn from the masses. The broad masses of judicial, procuratorial, and public security cadres and police, especially the forefront cadres and police, should always pay attention to their own images, insist on handling cases in a civilized manner, strictly enforce the law, remember the influence they may have whenever they speak and move, and inspire people as well as win the popular support with nice images. Secondly, we should strictly administer the police. It is imperative to take resolute measures to correct and eliminate the behaviors against the law and discipline in the contingent. We should seriously handle rotten elements and those individuals who bring disgrace to their groups, and we should not be softhearted in doing this. In particular, we should strictly inspect and handle those corrupt phenomena among the party members and party cadres, such as seeking personal gains through power, taking bribes and bending the law, and practicing fraud for the benefit of relatives or friends. Thirdly, we should deepen reform. We should gradually establish a mechanism of competition, incentive, and restriction which will promote the quality of the judicial, procuratorial, and public security contingent. We should recruit as well as dismiss personnel according to a strict standard. We should insist in the trend of attaching importance to cadres' performance, and promote cadres who perform well, employ cadres of good quality, and fire cadres with mediocre ability. Therefore, we should establish a responsibility system to use and select people. We should investigate and affix the responsibility of the relevant departments and relevant leaders whenever cases arise of using people without conducting a strict check and violating law and discipline. We should experiment with the job employment system and the responsibility system for handling cases. Currently, some cities and counties have conducted experiments in this regard, and we should conscientiously sum up their experiences and popularize them. All the departments should reduce their upper level, strengthen the grass roots, simplify organizations, and promote efficiency. Henceforth,

when we expand our contingent or recruit new members, we should keep the grass-roots in mind, and strengthen the forefront forces. If we achieve success in all these tasks, the image of the whole contingent will be largely improved, and the combating forces of the contingent will be further upgraded.

The judicial, procuratorial, and public security front is an important front, and the judicial, procuratorial, and public security work concerns the overall situation. Party committees and governments at all levels should conscientiously carry out the guideline of attaching equal importance to and achieving success in two tasks at the same time, emphasize the judicial, procuratorial, and public security work, really place it in the party committee and the government's important working agenda, strengthen and better in a down-to-earth manner the leadership over the judicial, procuratorial, and public security work, and really attach importance to, concern, support and achieve success in it. At present, the most conspicuous problems for the judicial, procuratorial, and public security departments in Heilongjiang are the shortage of funds and the backward equipment. To solve these problems fundamentally, we should develop the economy and increase income. Under the current situation of fairly strained finances, party committees and governments at all levels should figure out ways to find money for the funds of the judicial, procuratorial, and public security departments in an effort to guarantee the basics of handling cases, gradually improve the condition of equipment, and improve the technological means. This is what we call "spending money to buy safety." But there are a lot of problems in this respect, and they can only be resolved gradually with the upper and lower levels of the whole province working together. We hope the comrades in the judicial, procuratorial, and public security departments can show understanding and sympathy in the real work. We should take a further step to be concerned with, take care of, and give consideration for the broad masses of the judicial, procuratorial, and public security cadres and police; understand their sufferings; gradually improve their lives and working conditions; relieve them, especially the forefront cadres and police, from the trouble back at home; and allow them to be able to devote themselves wholeheartedly to their own work.

At present, Heilongjiang's economic and social development is at a critical moment, and the task of achieving the strategic goal of attaining 300-percent growth and reaching a moderately prosperous life is pressing, as well as arduous. I hope the judicial, procuratorial, and public security departments at all levels and the broad masses of the judicial, procuratorial, and public security cadres and police can have a good understanding of the situation, unify the thoughts, clearly define the responsibility, do solid work, and make larger contributions to the promotion and leap of Heilongjiang's economy.

General

Measures To Correct 'Numerous Problems' in Aviation

HK1502054095 Beijing ZHONGGUO XINWEN SHE
in English 1311 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (CNS)—A number of measures will be introduced in an attempt to tackle numerous problems seen in China's civil aviation market.

According to an official from the Civil Aviation Administration of China, key to the correction drive mainly lies in exploration of new routes with more flights, cargo consignments and competition among airlines.

The drive, the official said, is centred on four points. First, the routes and flight schedules have to be re-organized and the business scope by air transport enterprises will be clearly defined. Exploration of new routes and additional flights has to meet strict requirements. Air routes involved in unreasonable arrangement and no assurance of safety have to be regulated. Stiff competition is seen among too many air companies in running routes between Beijing and Guangzhou, Beijing and Shanghai as well as Shanghai and Guangzhou. Such competition will be corrected and put in an orderly way.

Second, tighter requirements for cargo consignment agents have to be enforced and illegal business units be cracked down on. In addition, foreign air transport enterprises operating in China have to be administrated according to law and improper promotion by these companies be stopped.

Third, establishment of air transport enterprises and aircraft maintenance companies has to be subject to strict requirements and control.

Fourth, fair competition in an orderly way among air companies will be promoted in order to upgrade quality of service.

Local Governments Asked To Ensure Supply of Goods

HK1402132695 Beijing ZHONGGUO XINWEN SHE
in English 1145 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (CNS)—China's Ministry of Internal Trade recently issued a memorandum, asking local governments to practically assure supply of consumer goods.

The circular said that in 1995, the general market condition of consumer goods was positive with the supply of most commodities stable and sales promising. However, supply of certain items was rather tight and there was a noticeable trend for price increase. Departments responsible for commodity circulation and state-owned circulating commodities enterprises should play a leading role to maintain a stable market and curb the

prices from soaring by monitoring the purchase and supply of major nonstaple food items. There was also a need to improve the method of services, utilize capital in a more organized way and to occupy a greater share of the market.

The Ministry of Internal Trade urged the local commodity circulation departments to promote sundry products more actively. Departments responsible are to expand the product range so as to generate more new, quality products. In addition, an efficient reserve system and protection fund against market risks, in respect of major non-staple food items such as pork and sugar, as well as a monitoring and information system providing timely and accurate information to relevant executive organs and enterprises needed be set up.

Various commodity circulation departments were also asked to reorganize the circulation procedures and improve their price control mechanism. State-owned enterprises should take the lead to be the first to follow regulations of the State. Also, local governments should exert self-control to adopt a better price control system for meat, poultry, vegetables and eggs.

Detailed Tax Regulations on Real Estate Issued

OW1402151795 Beijing XINHUA in English
1500 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (XINHUA)—China will not levy taxes on real estate projects whose agreements were decided before January 1, 1994 according to a document released here today by the Ministry of Finance and the State Taxation Administration.

The document detailed temporary regulations for value-added taxes which became effective January 1 of last year.

A circular with the document said that real estate agreements which were signed before January 1, 1994, no matter when the transfer is actually conducted, will be exempt from taxes.

Real estate projects which entered into an agreement for development before that date and are under construction with an agreed amount of capital input will be free of taxes until its first transfer.

However, massive land development projects approved by the government, with longer construction terms, can enjoy a tax exemption period longer than five years for the first transfer.

The official document giving details on value-added taxes published today stipulates that people must report to local tax authorities within seven days after they sign transfer agreements and pay the taxes within the period set by tax authorities.

The taxes on land must be paid in yuan, and foreign currency used to pay should be converted into yuan

according to the exchange rate on that date as published by the central bank, according to the documents.

New Rules for Land Transfer Tax Exemption Announced

OW1402132405 Beijing XINHUA Domestic Service in Chinese 02:30 GMT 14 Feb 95

[FBIS Translated Text] Beijing, 14 Feb (XINHUA)—The Ministry of Finance [MOC] and the State Administration of Taxation [SAT] jointly issued a circular the other day providing that real estate development and transfer contracts signed before 1 January 1994 are exempt from the land appreciation tax [LAT].

The circular noted that according to article 15 of the "Interim PRC Regulations on LAT," the regulations will come into effect 1 January 1994. Real estate transfer contracts signed before 1 January 1994 are exempt from the LAT regardless of when the real estate transfer takes place. A real estate transfer development project signed or undertaken before 1 January 1994 and under development in accordance with the prescribed funding schedule will be exempted from the LAT when it undergoes another real estate transfer for the first time within five years after 1 January 1994. The day the contract for the compensated transfer of land is signed will be taken as the signing date.

As for the few government-approved real estate projects involving development of whole regions and requiring long construction times, the tax holidays may be extended—after examination by the local financial and taxation departments and approval from the MOC and SAT based on submitted reports—for first-time transfer of real estate after the aforementioned five-year tax holiday.

The circular notes the LAT will be collected in line with the regulations for second and succeeding land transfers within the aforementioned tax holidays and on real estate transfers not complying with the aforementioned provisions, such as real estate transfers overstepping the scope of the contract or change of contracts.

XINHUA 'Letterbox' Defines Property Right Relationships

GV1402132395 Beijing XINHUA Domestic Service in Chinese 2134 GMT 13 Feb 95

[By reporter Zhang Jinsheng (1728 6930 0524): "XINHUA letterbox: What Are Property Right Relationships?"]

[FBIS Translated Text] Beijing, 14 Feb (XINHUA)—In defining property rights and property right relationships, the State Administration of State Property has pointed out: The concept of property rights, as defined in the law, should include property ownership and property rights in relation to ownership of the property. The former is referred to as the rights of the owner to occupy, use,

profit from, and dispose of property according to the law. The latter is referred to as the rights of nonperfect owners [fei wan quan suo you ren 7236 1346 0356 2076 2589 0086] to occupy, use, and, to a certain extent, profit from or dispose of property under the condition of separating partial rights and functions of ownership from the owner; and these include the rights of management, use, mining, and contract for management.

Property right relationships are the sum of various relationships occurring in the course of occupying, using, profiting from, or disposing of property among subjects of property rights. Both property owners and managers are subject to property rights. Their relationship in occupying, using, profiting from, and disposing of property are called property right relationships.

The rights to occupy, use, profit from, and dispose of property are the four rights and functions of ownership. These rights and functions can be partially separated from owners, and can constitute various property rights through different combinations after the separation. For example, the combination of the rights to occupy, use, and dispose of the property according to the law can constitute the management right by enterprises; the combination of the rights to use and profit from property can form the mining right; and the combination of the rights to occupy and use property can constitute the right to use property by administrative institutions and units.

Ministry on Lack of Adequate Water Supplies

HK1502053295 Beijing ZHONGGUO XINWEN SHE in English 0937 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (CNS)—According to the Ministry of Water Resources, more than 300 out of the over 600 cities across China are lack of water and more than 110 cities are in serious condition.

The water-shortage problem began in the beginning of 1980s. It first happened in cities such as Tianjin, Beijing and Taiyuan and then extended into the country's coastal cities such as Dalian, Qinhuangdao, Yantai, Ningbo, Xiamen as well as its inland cities such as Xian and Chongqing. Taking Tianjin for example, the lack of water in the city will reach 1.2 billion cubic metres in the year of 2000.

In the past, there was an idea that the water-shortage problem will not happen in cities in the south. However, the reality shows that cities like Shenzhen, Haikou and Sanya are also suffering from this problem. According to statistics, the annual economic loss caused by the lack of water in cities in the country has reached RMB [renminbi] 120 billion.

With implementation of reform and opening-up in China, both the number of cities and the urban population are increasing continuously. But the existing water supply facilities have become outdated. These are the main reasons for the serious lack of water in cities. In

view of this, a high-ranking official from the Ministry of Water Resources said that apart from adopting measures such as water saving and treatment of sewage water for re-use, more water sources have to be exploited, that is, channeling water from the south to the north. The lack of water problem will be eased in the country.

Auto Production Reaches 1.38 Million in 1994

HK1502053195 Beijing ZHONGGUO XINWEN SHE
in English 1234 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (CNS)—In 1994, China's car production increased by 6.4 percent over the previous year to hit 1.38 million. Of which, sedan output rose by 11 percent over 1993 to reach 250,000, said the Ministry of Machine-Building Industry.

"Policies on Development of car industry in China" went into effect with an approval by the State Council last year, the Ministry of Machine-Building Industry put forward five suggestions concerning the development of car industry:

1. To eliminate regulations on car purchase by government and Party organs as well as forbid random charges;
2. To regulate the rate of car consumption tax;
3. To levy taxation on consumption of petrol instead of car purchase;
4. To speed up the replacement of old cars;
5. To crack down on car smuggling and illegal import of auto parts for assembling.

The State Council is said to consult relevant departments to find out a solution for the above issues after receiving the five suggestions.

In a letter addressing a working conference of China's machine-building industry, Vice-Premier, Li Lanqing, pointed out: that the development of auto industry should not be scattered all over the country. Otherwise the aim to strengthen the industry will be impossible to realize.

When talking about the future development of car industry, Minister of Machine-Building Industry, He Guangyuan, said enterprise groups and large-scale production should be carried out in production of sedans and light automobiles. This is the first step to change the scattered production situation. Investment should be strengthened in the professional and large-scale production of sedan's key spare parts. This will lead to a breakthrough in the backward spare parts industry. Different forces should be joined together mainly for developing sedan production technology. There should be a diversified market and an increase in the proportion of private car buyers so as to break through different obstacles hindering the development of auto market.

Funds should be raised through various channels and there should be some new fund-raising methods.

Economists Discuss China's Economic Tasks

HK1502003095 Beijing QIUSHI in Chinese
No. 1, 1 Jan 95 pp 13-26

[Report: "Accurately Grasp the Situation; Do Economic Work Well"]

[FBIS Translated Text] Editor's note: The economic conference recently convened by the CPC Central Committee laid down the guidelines and decided on the major tasks for economic work in 1995. In order to publicize the spirit of the Central Economic Work Conference, we invited responsible comrades from relevant departments under the State Council and localities, as well as economists, to a forum to study the economic situation and ways of dealing with it. The forum was chaired by our editor-in-chief Comrade Xing Fensi [6717 6321 1835]. The following are excerpts of the speeches delivered. [end editor's note]

Zhang Sai [1728 1049], Director of the State Statistical Bureau: Several Points of Understanding on the Current Economic Situation

On the whole, the macroeconomic situation at the end of 1994 was good. The national economy continues to grow at a fast rate. Gross domestic product for the whole year is expected to exceed 4,000 billion yuan, a yearly increase of 11 percent calculated at comparable prices, and the third year of rapid growth since 1992. Macro-control continues to score satisfactory results, and the momentum of excessive growth in social demand, especially in the demand for investment, has been brought under control to some extent. Investment in fixed assets is expected to show a yearly increase of 28 percent, a drop of 30 percentage points compared with the previous year. There has been a better balance between total supply and total demand than a year ago. The supply-demand difference for the whole year is estimated to be -6.5 percent, one percentage point lower than in the previous year and basically within normal limits. Smooth progress has been achieved in macroeconomic reform. Reforms in taxation, finance, foreign trade, investment, pricing, and the circulation systems have all produced notable results. The social and economic environment as a whole has been relatively stable, thanks to the maintenance of a correct balance of "reform, progress, and stability."

When summing up the tremendous achievements of economic construction and of reform and opening in 1994, we should also be aware that there are still many contradictions, including some glaring ones, in our way to advance. Soaring prices are the most salient problem in economic life at present. In 1994, consumer and retail prices have both gone up by 20 percent, the biggest jump since the beginning of reform. The following are some of the major reasons price levels have remained high: First,

price hikes resulting from structural price adjustments, particularly adjustments in the prices of farm produce, account for about 70 percent of price hikes for basic daily necessities. Second, disorder and slack management of the market as well as illegal business behavior in the sphere of circulation, such as price fraud, monopolistic price increases, jacking up prices, and adulteration of goods, are contributing to the excessive price hikes. Third, investment and consumption have shown significant increases, and the money supply has grown too drastically too soon.

The problem of agriculture failing to meet the needs of national economic development is becoming more acute with each passing day. The weak foundation of agriculture was more noticeable in 1994 than in any of the past years. Seen in isolation, the main reason 1994 was such a bad year is that many places suffered serious losses as a result of drought and flooding. This in fact reflected the weakening of the agricultural foundation after several years of rural industrialization and the acceleration of urbanization. In spite of the fact that the Central Committee has stressed time and again the need to strengthen agriculture, many localities have concentrated their energies on enlarging the scale of construction and vying for a higher rate of growth in the nonagricultural sectors, and have failed to come up with effective measures to protect agriculture. Not only has the area of farmland been subject to big cuts year after year (the area under cultivation has been reduced by nearly 10 million mu in the past two years), there is also insufficient investment in agriculture. The proportion of investment by the state has been steadily declining. Peasants are unwilling to increase investment because of its poor returns. Hence the lack of improvement in the conditions of production.

A considerable number of state enterprises are still struggling along. It is true that state enterprises have seen an improvement in production and operation thanks to the support given by the state. Production has picked up and economic performance has improved. However, their speed of production is still low and many of them still experience difficulties in production and operation. There are serious problems of excessive inventories and mutual defaults on payments, and the scale of losses is still big.

In order to achieve satisfactory results in economic work in 1995, I think attention should be paid to the following four tasks:

1. Further improving various reforms. Problems emerging in the course of reform should be resolved through reform. On the basis of improving the macroeconomic reforms, and in accordance with the plans of the party Central Committee, we should focus our attention on the revamping and invigoration of state enterprises. At the same time, efforts should be made to effectively transform the functions of government and promote the reform of the social security system as a support measure.

2. Curbing inflation. This can be done by increasing supply and reducing demand. Bearing in mind the causes of price hikes, efforts should be made to increase the supply of foodstuffs, particularly grain, meat, and vegetables, and to reduce demand, primarily the excessive growth in the demand for investment and consumer goods. Export demand should also be appropriately reined in. At the same time, great efforts should be made to consolidate the market circulation order, strengthen market regulation, and establish a basic livelihood assurance system for low-income earners in order to maintain basic social stability.

3. Maintaining a suitable rate of economic growth. This is of great importance in efforts to ameliorate problems of economic life. Preliminary estimates based on various different factors show that major problems are unlikely to crop up if economic growth is maintained at a rate of 8-9 percent this year while efforts are being made to improve economic performance and optimize the structure of production. If the rate of growth is set too low, much of the productive capacity of enterprises will be left idle and enterprises will experience greater difficulties, which will adversely affect efforts to maintain social stability and create conditions for deepening the reforms. If the rate is set too high, the economic environment will be too strained, thus rendering it difficult to bring market prices under control. Hence, too low or too high a rate of economic growth should be avoided at all costs in macrocontrol.

4. Scientifically adjusting the intensity of macrocontrol with emphasis on the scales of investment and credit. The scale of investment should be such that the rate of increase in actual operating capacity is not much lower than a reasonable economic growth rate. In this connection, the important thing is to strictly control the number of new projects launched, reduce the scale of construction in progress, and keep the annual rate of increase in investment to about 20 percent and the rate of domestic investment below 35 percent. Efforts should be made to properly readjust the investment structure, and to concentrate resources on strengthening agriculture, transportation, and energy construction as well as on the transformation of existing key enterprises. Any increase in the scale of lending by state banks should best be kept at a level of about 20 percent so as to maintain a reasonable ratio between the rate of increase in money supply and the rate of economic growth. At the same time, further efforts should be made to readjust the priorities in the granting of loans in order to reduce losses and speed up turnover.

Liu Guoguang [0491 0948 0342], Special Adviser and Researcher of the Chinese Academy of Social Sciences: Resolutely Curb Inflation

The decision of the Central Committee to take the curbing of inflation as the primary task of economic work in 1995 is in line with the actual situation of our economic development, and reflects the common aspirations of the masses.

In order to effectively curb inflation, it is necessary to achieve a unified understanding of the necessity to bring inflation under control. At present, there are still people in theoretical circles who think that inflation is not something to be afraid of and is even useful at times. These people advocate using inflationary policies to promote economic development. This kind of viewpoint and advocacy still has its market. Current differences in opinion on how to deal with inflation are due in part to understanding and in part to interests. Such problems of understanding arise because people generally think that inflation is inevitable in economic development and economic reform, and that there is no need to make a fuss about it. As I see it, a certain degree of increase in the general price level is inevitable in the course of economic structural reform and structural changes. It is in fact a price we must pay in reform and progress. However, increases in the general price level as a result of price reform and structural readjustments must be timely and appropriate. Excessively fast or big increases, particularly big jumps in the general price level as a result of the abnormal growth of money supply and the swelling of total demand can only upset the economic order, misdirect the allocation of resources, worsen the situation of unfair distribution, and encourage corruption, which are absolutely detrimental to the national economy as a whole and to long-term progress. The general price level has been on a steadily upward trend since the early 1990's, and exceeded 20 percent in 1994. Such a high rate of inflation can no longer be ignored because it is beginning to have a negative impact on the normal running of the national economy and on social stability. I have always believed that relying on inflation to boost economic development is, like taking opium, extremely dangerous. Once we become addicted to it, it will not be easy to kick the habit. Moreover, once the rate of inflation exceeds a certain limit, it will start to gallop and get out of hand. It will be the masses who have to suffer the consequences, and this is unfair to the people. Another reason there are differences of opinion on the question of inflation is that inflation can truly benefit some social institutions and their members, particularly units and individuals who are likely to receive loans under the existing system. That is why they are in favor of letting inflation take its own course, and fail to see the need to curb inflation. The parties and individuals concerned must recognize that partial interests must be subordinated to overall interests, immediate interests must be subordinated to long-term interests, and minor principles must be subordinated to major ones.

The causes of inflation in 1994 are complicated and many-sided. They include causes relating to the imbalance between total demand and total supply as a result of an excessive growth in money supply, causes relating to price reform and structural readjustment, as well as cost-pushed causes and other causes relating to supply. Hence, the curbing of inflation must be tackled from different angles in order to achieve comprehensive control of the situation. It is necessary to approach the

problem from the angle of demand by controlling money supply growth and guarding against the swelling of investment and the excessive growth of consumption funds. It is also necessary to approach the problem from the angle of supply by setting firmer constraints on financial budgets, increasing the supply of essential products, and guarding against the overissue of currency due to rising costs through the deepening of reform. Another viewpoint is that price hikes in 1994 were primarily due to structural price adjustments and are cost-pushed, not due to excessive money supply or demand. Hence the view that the present problem is not so much excessive as inadequate demand. Rather than tightening money supply and curbing demand, they think that money supply should be eased to prevent stagflation. As I see it, the rise in the general price level in 1994 was more cost-pushed than it was in 1988. This is fact. However, it is also one-sided and unrealistic to overlook the effects of excessive money supply or the pull of demand, and to slacken control over demand because of this. Although the extent of increase in fixed-asset investment dropped somewhat compared with 1993, it still exceeded 30 percent, and the rate of investment was still as high as 37 percent, suggesting that the scales of investment and demand were still too large. It is entirely necessary to control the scale of demand.

Appropriate administrative means, such as exercising administrative control over the prices of certain commodities and setting ceilings for bank lending, are necessary in bringing inflation under control. Even mature market economies have to resort to administrative means to rein in galloping inflation. However, we must still strive to establish a macrocontrol mechanism which mainly relies on indirect control and on economic means, and must bring economic means into play wherever possible. For example, it is very important that we should make the most of the effective means of interest rates. In my opinion, taking appropriate measures to gradually turn real interest rates from negative interest to positive interest will have marked effects in efforts to improve macrocontrol, increase investment returns, and plug the black holes of "rent-seeking" and corruption. They will be of great importance to the curbing of inflation. Since views are still divided on this, I am not going to go into detail here.

Luo Zhiling [0491 2784 7881], Deputy Chairman of the State Planning Commission: Suit the Remedy to the Case in Stabilizing Prices

Excessive price rises and serious inflation are the problems that stand out most in our economic development, and these problems have become the focus of attention in society. The average retail prices of commodities and household consumer prices in January-October 1994 had increased by 21.3 percent and 23.7 percent respectively compared with the same period of 1993.

Price changes over the past year show the following characteristics: First, the starting point was high, and the

extent of price increases remained large. Under the impact of soaring grain prices at the end of 1993, prices of commodities continued their climb on the basis of the high levels in the previous year.

The January consumer price index showed a yearly increase of 18.8 percent, while the February index was 20.6 percent higher than the corresponding figure in the previous year. The momentum of increase was contained somewhat thanks to timely measures introduced by the party Central Committee and State Council. In March, April, and May, the commodity retail price index gradually declined, and the monthly chain index dropped to under 1 percent. After June, the upward trend of prices showed a rebound, and the price index again increased month after month. Second, structural price rises were obvious, the most notable of which was the increase in food prices. With grain setting the pace, food prices continued to soar on the basis of the high level at the end of 1993. Between January and October, food prices increased by 33.9 percent on average, 12.6 percentage points higher than the increase in commodity retail prices and accounting for about 11.8 percentage points in the rise in general price level. Grain prices increased by 47.4 percent on average, or 26 percentage points higher. Prices of industrial means of production were on a downward trend, dropping by 3.4 percent between January and October. Third, there was a big gap between town and country, and price increases in the rural areas were bigger than those in the cities. Rural price hikes which began in April exceeded price hikes in the urban areas for seven months running compared with the same period of 1993. Between January and October, commodity retail prices in the rural areas increased by 22.1 percent, 1.4 percentage points higher than in the urban areas. In the rural areas, grain, meat, poultry, eggs, agricultural means of production, and building materials are the main items which have registered big price increases.

Price hikes and inflation are the concentrated expression of various economic problems. We must see that it is entirely possible to reduce excessive price inflation by identifying the causes and suiting the remedy to the case. However, we must also see that excessive inflation over prolonged periods will be very damaging. Hence, we must not panic in the face of the current problem of inflation, but neither must we treat the matter lightly.

The recent economic work conference convened by the party Central Committee took the stabilizing of market prices and the curbing of inflation as the key to achieving a correct balance of reform, progress, and stability. This is correct. In our price control work in 1995, we must, in the spirit of the Central Economic Work Conference and proceeding from the task of victoriously fulfilling the Eighth Five-year Plan and creating a favorable economic environment for construction and development in the Ninth Five-Year Plan, continue to implement various macrocontrol policies aimed at curbing inflation, actively promote price reform with emphasis on the

improvement and perfection of the price control mechanism, see to it that price hikes are notably less steep than in the previous year, and promote the sustained, rapid, and healthy development of the national economy as well as all-round social progress.

First, we must take the effective control of the general price level as the central task of this year's price control work, make great efforts to stabilize the prices of the "rice sack," the "shopping basket," agricultural means of production, and various services, make sure that increases in the general price level are noticeably less steep than in the previous year, and strive to control increases in commodity retail prices within limits that can be tolerated by various quarters.

Second, we must place the focus of price reform on the improvement of the price regulation mechanism, consolidate the market circulation order, normalize the pricing behavior of enterprises, and increase the ability of the government to keep prices under control.

Third, we must further strengthen pricing legislation, clearly define the legal status of pricing entities, normalize the pricing behavior of enterprises, establish procedures and systems of government control and supervision, and establish an initial set of pricing regulations so as to bring price management onto a legal track, with laws to abide by in price control.

In order to achieve the above objectives, it is necessary to achieve a unified understanding of inflation, and see to it that the control measures can achieve the anticipated effects. We must understand that relying on inflation to stimulate and develop the economy is like drinking poison to quench thirst. We must understand that the work of controlling inflation concerns not only the Central Committee but also the whole nation, that it is everybody's task. We must understand that it is wrong to think that he who does not raise price stands to lose, and that inflation is harmful to the whole situation as well as the localities. We must also understand that price reform involves not only price deregulation, and that price deregulation does not mean giving up all control.

Chen Qingtai [7115 3237 3141], Vice Chairman of the State Economic and Trade Commission: It Is Necessary To Grasp the Key Tasks in the Deepening of Enterprise Reform

A lot of work needs to be done in the deepening of enterprise reform in 1995, and it is necessary to set the priorities and grasp the key tasks.

First, efforts must be made to do a good job of running those pilots for enterprise reform selected by the State Council, and to explore and find answers to some of the deeper problems of reform. Through reform in the past decade or so, many of the surface problems have been resolved. Now enterprise reform has reached the stage of storming fortifications. In other words, it is time now to tackle those structural and policy problems that are

holding back the separation of government and enterprise functions and the change of operational mechanism, so that state enterprises can become independent entities that can compete in the market.

The State Council has already given the go-ahead to the organization of four pilot projects for the enterprise reform. These refer to experimental reforms on the establishment of the modern enterprise system in 100 selected enterprises, the optimization of the capital structure of enterprises in 18 selected cities, the formation of 56 enterprise groups, and the formation of three state holding companies. Through these experimental reforms, we will try to find feasible reform proposals and transitional measures for the following by adhering to the direction charted by the Third Plenary Session of the 14th CPC Central Committee and approaching the task from different angles: The verification of assets in liquidation; representative organs for state asset ownership in enterprises; administrative structures for limited-liability companies and joint-stock companies with limited liability that are suited to China's conditions; personnel management and responsibility systems for different departments of a company; the handling of debts accrued over the years, the relocation of surplus staff, and the separation of community service functions in the reform of enterprises; the improvement of the social security system; and so on.

Units selected for experimental reforms need not be many or cover a wide area, but we should not be overanxious for quick results. The important thing is to make breakthroughs. This involves a series of major and deeper problems of reform, and requires the coordinated efforts of all concerned under the leadership of the party Central Committee and State Council, proceeding from the major goal of establishing a socialist market economy. If experience is gained in these experiments, it will be possible to do a better job of enterprise reform in a few years.

Second, an important step forward must be made in structural readjustment. As the financial and monetary environment is unlikely to see a relaxation in 1995 owing to the need to curb inflation, the internal problems of enterprises will become more exposed. This is the time to step up the work of structural readjustment. An important reason why some state enterprises lack vitality and why state assets have not been effectively made use of is that the present industrial structure, enterprise structure, and product mix in the state sector are not suited to the needs of the market economy. Following the gradual establishment of the socialist market economic system, it is necessary, in the provision of guidance in work, to shift from the past practice of suiting measures to different ownership systems and to individual units in improving and invigorating enterprises to the practice of taking the state economy as the starting point, paying attention to optimal asset distribution and structural rationalization in the state sector, and making more effective use of state assets. Through investigation,

efforts should be made to analyze the comparative advantages of different regional economies, and identify the points of future economic growth as well as the leading industries, competitive products, and key enterprises in accordance with the regional economic development strategies laid down by the state's industrial policies, in order to readjust the industrial and enterprise structures and the product mix. When these structures become more rational, the modern enterprise system should be adopted to provide the necessary norms in order to realize the separation of the functions of government from those of enterprises, replace the operational function, and organize scientific management. At the same time, efforts should be made to strengthen key enterprises and enterprise groups, using essential investment in technological transformation as a "catalyst," so that they can play a major role in national economic development, thereby bringing about an overall improvement in state enterprises.

Third, efforts should be made to strengthen enterprise management and change the operational mechanism of enterprises. Management is a kind of productive force, and many state enterprises have not truly brought the role of management into play. Improving and strengthening enterprise management and speeding up the change of operational mechanism not only form the basis for the establishment of a modern enterprise system, but are the fundamental avenues through which our state enterprises can get out of their present predicaments. Efforts must be made to grasp the following tasks in 1995: First, we must strengthen the leading bodies of enterprises and do a good job of selecting and cultivating principal leaders of enterprises. It has been proved that the level and quality of entrepreneurs determine the rise and fall of enterprises to some extent. At the same time, efforts must be made to strengthen training and continuing education for staff and workers. Second, we must face the market, analyze the situation, map out intermediate and long-term strategies for enterprise reform and development, improve the management system and organizational organs, and pay attention to structural readjustment. Third, we must reform the internal management systems which are not suited to market competition, and strengthen enterprise management. In particular, efforts must be made to strengthen financial management, quality management, scientific and technological development, marketing management, and personnel management, and to run factories strictly.

Changing the management concept is an important prerequisite for doing a good job of enterprise management. Among other factors, backward management concepts are part of the reason the impressive strengths in terms of technology, management expertise, manpower, and means of production accumulated by some enterprises over the years have not been brought into play. The idea of replacing the operational mechanism is to help enterprises make timely responses to market and macroeconomic signals in their operational activities, seize market opportunities, carry out flexible deployment of their

manpower and material and financial resources, seize the market, expand their operation, and upgrade overall economic efficiency. This requires the operators and managers of enterprises to change their concept, truly strengthen their market concept, increase their awareness for competition, and embrace the concept of risks.

Fourth, efforts should be made to push support reforms. The most important support reform is to change the functions of government, and realize the separation of the functions of government from those of enterprises. In order to change the situation where the functions of government and of enterprises are misplaced, enterprises should discard their community service functions, take the pursuit of better economic results as their goal, and strive to be successful. The government must hand down the power of management in accordance with the "Regulations Governing the Change of Operational Mechanism in Industrial Enterprises Under Ownership by the Whole People," and gradually assume functions such as the provision of community services while improving and strengthening macrocontrol. It is necessary to make bigger strides forward in the establishment and strengthening of the social security system. Further efforts must be made to foster and develop financial, labor, property, technology, and information markets, and consolidate the circulation order. Efforts to deepen the reform of the financial and tax systems and the financial and investment systems should be continued.

The problems of state enterprises have been built up through the years, and their solution is something which will take time. However, whether or not a breakthrough can be made in enterprise reform in 1995 is a matter of great significance, and all parties concerned must work in close coordination and make concerted efforts to accomplish this great historic mission.

Wang Shiyuan [3769 0099 0337], Vice Chairman of the State Commission for Restructuring Economy: "Try by All and Every Means To Invigorate Enterprises"

The establishment of a modern enterprise system means tackling the issue of the source of energy of state enterprises from the angles of the enterprise system and the operational mechanism.

It must be borne in mind that the establishment of a modern enterprise system does not mean the invigoration of state enterprises. The establishment of a modern enterprise system may open prospects and create conditions for the invigoration of state enterprises. It is a fundamental measure. However, the invigoration of state enterprises also requires the efforts of enterprises in other respects. Enterprises must have the mechanism to strive for technological advances, actively develop new products and technologies, and constantly bring new technologies into application in order to increase their competitiveness. They must continuously raise their management level, exercise scientific, effective, and strict management in manpower, finance, material resources, security, quality control, and other matters,

and constantly strive for better management efficiency. Business institutions must be established in accordance with their production and operational characteristics and the need for market competition. The system of recruiting and using labor should be reformed by abolishing the distinction in identity between cadres and workers and between different forms of labor power employment in enterprises, and gradually establishing an employment system of two-way selection and rational movement between employment units and workers. A wage system where enterprises can make their own decisions in distribution should be established. Efforts should be made to fully arouse the enthusiasm and creativeness of the staff and workers of enterprises, bring into play the role of workers' congresses and trade unions, strengthen democratic management, and build a high-caliber army of staff and workers. The collective leadership of enterprises must be brave in making explorations, be smart and competent, and understand the workings of the socialist market economy. In short, the vitality of enterprises depends on the factor of man, that is, enterprises must have a good leadership collective and a fine army of staff and workers. The above-mentioned factors are essential for the vitality of enterprises, and constitute the basic elements in the overall quality of enterprises.

In changing the operational mechanism of enterprises and establishing a modern enterprise system, it is not only necessary for enterprises to change their operational mechanism and establish new systems, it also requires that a series of support reforms be carried out. The most important of these reforms is that aimed at changing the functions of government. It is necessary to fundamentally change the mode of macroeconomic management, and replace direct management by indirect management. According to the requirements laid down by the 14th CPC National Congress, the main function of the government under the market economic structure is to make overall plans, formulate policies, provide guidance, organize coordination, provide services, and conduct inspection and supervision. The functions of government departments in managing state assets should be separated from the administrative management functions of government, and independent state asset management departments and state asset operational setups should be established. Only when the functions of government have been changed will it be possible to separate the functions of government from those of enterprises, and only then will it be possible for enterprises to organize production and operation in accordance with market needs, upgrade economic efficiency on the basis of increasing labor productivity, survive in market competition, and truly assume responsibility for their own profits and losses. Changing the functions of government is also the key to the separation of government and assets and the clear division between power and responsibility. A capital contributor will only be responsible for liability up to the amount he contributed. He will not be required to bear unlimited liability. Enterprises are responsible

for their profits, but they are also responsible for their losses. At the same time, it is necessary to accelerate the reform of the social security system, and create favorable social conditions for enterprises. In addition, further efforts should be made to develop a market system, particularly the development of a market for production factors, in order to create market conditions for the optimal organization of enterprise assets.

On the basis of the above-mentioned reforms and work, the vitality of enterprises is still dependent on the macroeconomic environment. This includes the healthy operation of the macroeconomy, and the prevention of big ups and downs in economic development; the clarity of macroeconomic policies and the presence of specific economic policies, laws, and regulations to guide and support the development of industries and enterprises that conform with the state's industrial policies; and the timely and effective launching of the reform of the macroeconomic management system to ensure fair competition between enterprises. The deepening of support reforms and the quality of the macroeconomic environment affect the competitiveness of enterprises in macroscopic terms, and are the prerequisite for the invigoration of enterprises.

Deng Hongxun [6772 7703 8113], Deputy Director of the Development and Research Center of the State Council: Efforts Must Be Made To Run Large and Medium-Sized State Enterprises Well

The reform of state enterprises will be the focus of reform in 1995. How should the management system of state enterprises be reformed? We must earnestly implement the spirit of the Central Economic Work Conference, put into effect the "Regulations Governing the Transformation of the Operational Mechanism in Industrial Enterprises Under Ownership by the Whole People" and the "Regulations Governing the Supervision and Management of Assets of State Enterprises," and actively experiment with the establishment of a modern enterprise system in selected units. At the same time, we must also learn from the experience of township enterprises and introduce a competition mechanism in large and medium-sized state enterprises. Like township enterprises, large and medium-sized state enterprises have to face the market. Their products have to stand the test of market forces, and they and their staff and workers have to constantly face competition and the elimination of the old by the new. This is the only way that large and medium-sized state enterprises can maintain an exuberant vitality. State enterprises have made great contributions to China's economic development, but they are also saddled with heavy burdens, such as outmoded equipment, aging technology, and a great number of retired workers. Hence, all parties concerned must join forces in creating a more flexible environment for large and medium-sized state enterprises, and gradually solve these problems.

In order to run state enterprises well and deepen reform, it is necessary to further bring into play the positive role

of the financial sector in regulating the macroeconomy and invigorating the microeconomy. The financial sector plays an important role in the transition from a highly centralized planned economy to a market economy. Macrocontrol is impossible without the financial sector. Likewise, the invigoration of the microeconomy is also impossible without the financial sector. In financial reform, it is necessary to consider the needs of regulating the macroeconomy as well as the needs of invigorating the microeconomy. In 1994, the financial sector has done a lot in macrocontrol, and satisfactory results have been achieved in money issuance, credit control, the merging of foreign currency exchange rates, and so on. However, much remains to be done in microeconomic supervision and management. The excessive growth of consumption funds and delays in the levying of personal income tax all have something to do with ineffective supervision and management. If the financial system attaches importance to reform in these two respects, it will be of great help to the establishment of a normal financial order and the formation and development of a market economy.

The curbing of inflation provides the external conditions for the successful operation of state enterprises. With soaring prices and distorted market signals, enterprises simply cannot accurately grasp market signals, adjust their existing assets, and optimize their deployment of resources. Rapid price hikes in the past two years or so have adversely affected the interests of hundreds and thousands of households as well as the normal production and operation of enterprises. Hence, control of inflation has become a pressing task. There is a lot state enterprises can do in this respect. First, state enterprises should change their concept of production and operation to one which puts emphasis on intensive expanded reproduction. They should not engage in extensive expanded reproduction which simply involves repetition, blindly launch new projects and set up new establishments, or indiscriminately enlarge the scale of fixed-asset investment. In the absorption of foreign capital and technologies, they must stress actual effects, work within their capability, pay attention to local needs and the needs of the enterprises concerned, and refrain from going after mere form. They must also keep foreign exchange demand under strict control. Second, state enterprises must consciously strengthen hard budgetary constraints, and resolutely control the expansion of consumption funds. The rapid growth of consumption funds is an important factor for inflation. Efforts must be made to resolutely control total wage expenditures in accordance with the principle of "keeping the rate of growth in total wage expenditures below the rate of growth in enterprise economic performance, and the rate of growth in the average wage of workers below the rate of growth in enterprise labor productivity." It is also necessary to place all subsidies and income of a welfare nature under wage administration. The income of staff and workers should be paid in money form, and made more transparent and standardized.

Efforts should be made to reform the present state of irrational distribution as quickly as possible. Irrational distribution adversely affects the enthusiasm and creativeness of the staff and workers of state enterprises. Since the beginning of reform, we have been implementing the policy of allowing some people to become well-off first. This has played an important role in arousing people's enthusiasm and accelerating economic development. It is true that some people have become affluent over a short period. However, while the majority of these people have become well-off through hard work, those who made their fortunes through illegal means also number quite a few. This situation is not in accord with the principle of relying on distribution according to work in the main, and has upset some people's psychological balance. People are not happy about this. Allowing some people to become well-off first should mainly apply to people who work hard, those who make innovations, inventors, and people who have made outstanding contributions. Only then can we truly arouse the enthusiasm of the staff and workers of enterprises and of all parties concerned, and speed up the development of productive forces.

An Haijun [1344 3189 6511], Secretary of Xintai City CPC Committee in Shandong: Attention Should Also Be Paid to Reform of Medium-Sized and Small Enterprises

The Central Economic Work Conference decided on taking state enterprises as the focus of reform in 1995. Medium-sized and small enterprises make up over 99 percent of the total number of state enterprises and over 60 percent of their output value. They are of great importance and cannot be ignored. How should the structure of medium-sized and small enterprises be reformed? In my opinion, we should, adhering to the principles of taking reform as the appropriate action, doing things in a more appropriate manner in accordance with law, and providing different measures by category, and taking each enterprise on its merits, effect a change in the operational mechanism of enterprises. Enterprises that perform well should be treated differently from those that have long been in the red, which have more liabilities than assets, or which have a bleak future. On the whole, we must pay attention to the following three aspects:

First, efforts should be made to change the operational mechanism of enterprises in the light of the actual situation where medium-sized and small enterprises constitute the majority, and in accordance with the requirements for the establishment of a modern enterprise system. The Xintai City Brewery used to run at a loss. It had more liabilities than assets and was on the brink of bankruptcy. Through injection of capital, an increase in shares, and greater attention to management and technological transformation, it has become a key enterprise, with profits and taxes exceeding 10 million yuan. We have also invigorated a number of medium-sized and small enterprises through the implementation

of the shareholding system, such as injections of capital and increases in shares, transference of existing shares, formation of new joint-stock ventures, and cross holdings by corporate bodies.

Second, efforts should be made to achieve asset mobility. This means that, adhering to the laws of market economy, we should help enterprises operate with great vitality if they deserve to survive, and close down and then revive those that deserve to be closed down. Based on this understanding, five medium-sized and small enterprises, including a woolen textile plant and an aluminum general plant, were declared bankrupt in accordance with law. Through the auctioning of assets, these enterprises were realigned with others which performed well. The 4,000-plus staff and workers were regrouped and found appropriate placements. The idle production factors were revitalized, and efficiency was improved. At the same time, the leasing system was introduced to a number of enterprises. Some small enterprises were leased to large enterprises as workshops or production lines.

Third, following the growth of the market economy, a single investment channel can no longer meet the needs of economic development. Thus, while insisting on the dominant role of public ownership, we also encourage the development of the private self-employed economy and the establishment of foreign-funded enterprises. We have organized large-scale trade promotion activities in Beijing, Xiamen, and even South Korea, and invited investment through meetings as well as trade and business contacts. In 1994 the city attracted foreign capital totaling 13.4 million yuan. Today there are 48 foreign-funded enterprises in our city. Through interbank borrowing, the issuing of bonds, internal pooling of funds, share subscription, and other channels, we have raised funds from all quarters. The new Xinhai Xylose Joint-Stock Co. which recently started operation is jointly funded by an enterprise in Beijing's Haidian district and Xizhou Township in our city. In the spirit of the Central Economic Work Conference, we have resolved to deepen reform by making structural readjustments, upgrading the overall quality of the economy, and reorganizing our medium-sized and small enterprises. We will strive to explore ways of overcoming the problems of state enterprises, such as heavy debts, overstaffing, and heavy social burdens, in order to arouse the vigor and vitality of enterprises.

Vice Minister of Agriculture Liu Chengguo [0491 2052 2654]: Effectively Resolve Problems in Agricultural Development

The present situation of China's agriculture and its rural economy is fine on the whole. Although a slight drop was registered due to a reduction in the area under cultivation and because of natural disasters, grain output in 1994 still hit a record high. In cotton output, we basically managed to put an end to two consecutive years of decline. Output of "shopping basket" products continued to grow, township enterprises continued to

develop, and peasants' income increased. However, we must also soberly see that the task of bringing about the sustained, rapid, and healthy development of agriculture is an arduous one. The following are the main areas of pressure:

1. The pressure to increase the supply of essential agricultural produce. At present, the supply of major agricultural produce like grain, cotton, and meat is still tight, and structural and regional imbalances between supply and demand are still quite serious. In the long term, agriculture is faced with three irreversible trends: The trend of diminishing arable land is irreversible; the trend of population growth is irreversible; and the trend of growing demand as the national economy develops and the standard of living improves is irreversible.

2. The pressure to increase peasants' income. According to the requirement of achieving a moderately well-off standard of living by the year 2000, there must be an average increase of 6.9 percent in the per-capita net income of peasants over the next six years, which is quite a formidable task. If peasants' income cannot go up, it will not be possible to achieve a relatively comfortable standard of living in the rural areas, and the goal of achieving affluence for the whole society will fall through.

3. The pressure to transfer the surplus rural labor force. At present, there is a 120-million-strong surplus labor force in the rural areas, and the figure will increase by 15 million annually. Whether or not employment can be provided for this surplus labor force effectively and in good time is a major problem with an important bearing on the stability of the rural areas and the whole country.

4. The pressure of high-speed industrial development. Based on historical experience, the appropriate ratio between industrial and agricultural growth is within the range of 2.5:1 and 3:1. However, this ratio exceeded 4:1 in recent years, even reaching 5:1 in 1993. At such a ratio, even if the goals of agricultural development could be reached, it would be difficult to sustain such a high speed of industrial growth.

In order to overcome the above difficulties and ensure a rapid increase in the supply of essential agricultural produce, it is necessary to further reinforce the understanding of the whole party and the people of the whole country of the position of agriculture as the foundation of the economy, and devise measures by all and every means to effectively resolve problems in agricultural development.

First, we must effectively protect farmland and guarantee the area under cultivation. Efforts to increase agricultural output and ensure the supply of essential agricultural produce depend first on an increase in sown acreage and second on an increase in unit yield. Protecting basic farmland so as to guarantee the area under cultivation is the prerequisite for achieving the total output targets for agriculture. Thus, it is necessary to

strictly implement the "Regulations for Basic Farmland Protection," strengthen the development and protection of basic farmland, further establish and improve farmland protection systems for major farm produce such as grain, cotton, oil- and sugar-bearing crops, and vegetables, and eliminate the phenomena of leaving farmland idle and taking unauthorized possession of farmland. Efforts should be made to reclaim wasteland, develop intercropping and stereoscopic agriculture, develop winter farming in the south, raise the multiple-cropping index, ensure that the sown acreage of grain is kept at a stable level of over 1.65 billion mu, and make rational arrangements for the sown acreage of other crops on this premise. While ensuring a stable sown acreage, it is also necessary to strengthen land development, devote major efforts to transforming low- and medium-yield fields, and strive to increase unit yield.

Second, we must increase the intensity of agricultural investment, and increase the overall productive capacity of agriculture. The Central Economic Work Conference clearly laid down the policy of increasing investment in agriculture as a whole. All localities and departments must truly implement this policy, and ensure that funds are allocated in full amounts and at the time required. At the same time, we must arouse the enthusiasm of various investment entities, actively guide agricultural collectives and peasants to increase funds and labor input, strengthen the building of the weakest links, and strengthen the weak foundation of agriculture. Regarding investment managed by agricultural departments, we must, adhering to the principle of concentrating funds on major projects and strengthening management to increase efficiency, select the most suitable projects, make overall arrangements, and take all factors into consideration, so as to fully bring into play the role of the state in guiding investment.

Third, we must accelerate the pace of relying on scientific advances and education to promote agriculture, and increase the technological content of the rural economy. The ultimate solution of the problems of agriculture depends on science and technology. In order to speed up scientific and technological advances in agriculture it is necessary on the one hand to energetically promote the application of suitable advanced scientific and technological achievements, and accelerate the conversion of these achievements into productive forces. With this in mind, the Ministry of Agriculture will, in conjunction with the implementation of the "Bumper Harvest Plan," concentrate efforts on the popularization of 10 key complementary technologies in 1995. In particular, efforts will be made to popularize well-developed complementary technologies for increasing output in the medium- and low-yield areas. On the other hand, it is necessary to strengthen research on basic agricultural sciences, and to concentrate efforts on tackling key tasks such as the development of improved varieties in agricultural, animal husbandry, and fishery production, and the prevention and treatment of major plant diseases

and insect pests. In order to narrow the gap with developed countries, the state has decided to import 1,000 scientific and technological achievements for agriculture during the Ninth Five-Year Plan. Efforts should be made to strengthen the agrotechnical service system, and to stabilize the ranks of agricultural technology promotion personnel. It is also necessary to actively develop vocational and technical education and adult education on agriculture, promote experiments on the "Green Certificate Project" in an all-round manner, and improve the scientific and cultural qualities of peasants.

Fourth, we must effectively strengthen leadership over economic work in the rural areas, and step up protection of the weak sector of agriculture. Strengthening leadership ultimately requires that local governments and departments at various levels truly unify their understanding of the need to strengthen the position of agriculture as the foundation of the economy, increase agricultural input, and effectively protect farmland, and that they consciously pay attention to, support, and strengthen agriculture. As for protecting agriculture, the key lies in vigorously grasping the implementation of the "Agriculture Law" and the relevant policies and regulations, controlling excessive price hikes in the means of production, and narrowing the price scissors between industrial and agricultural products. The focus of rural reform should be placed on the establishment and improvement of the mechanism for land circulation, the steady development of economies of scale in localities where conditions are right, the promotion of the industrialization of agriculture, the improvement of the macrocontrol mechanism, and so on.

Minister of Internal Trade Zhang Haoruo [1728 4110 5387]: It Is Necessary To Strengthen Macrocontrol Over Major Commodities

Like the situation of the entire national economy, the situation of China's commodity market was on the whole satisfactory in 1994. For the overwhelming majority of commodities, supply and demand are balanced. In some cases supply even exceeds demand. Markets are well-stocked, and production, construction, and people's livelihood needs are basically guaranteed. The problem that stands out most is that the supply of some farm and sideline products is quite strained. Fueled by excessive increases in food prices, the retail price level rose from month to month, thereby affecting some people's livelihood. In 1995, the key to market and price stability still lies in the supply of farm and sideline products, such as grain, cotton, oil, meat, and sugar, and in market management.

First, efforts must be made to vigorously develop agricultural production and increase the supply of essential products. In a country with a huge population and backward agricultural production technologies such as ours, where industrial development depends on the state, which in turn is supported by its agriculture, the shortage of farm and sideline products is a long-standing problem.

Unless effective measures are taken as quickly as possible, the problem will become increasingly more serious. The fundamental solution of the problem lies in the vigorous development of agricultural production. We must truly take agriculture as the foundation and the development of agriculture as the primary task, increase the supply of essential products, and increase investment in agriculture.

Second, continuous efforts must be made to strengthen macrocontrol and ensure market and price stability. Maintaining an overall balance in the supply of important commodities is the foundation for achieving the goals of macrocontrol, and for maintaining the stability and healthy development of the market. We must maintain a proper overall balance in the supply of grain, cotton, edible oils, sugar, meat, chemical fertilizers, and pesticides, which have a vital bearing on the national economy and the people's livelihood, as well as in the supply of the means of production, such as coal, rolled steel, and nonferrous metals. We must properly organize the import of important commodities, and control the export of important commodities in short supply. We must also properly organize the supply of materials for agriculture and for key production and construction projects, support the output of production departments, and increase the supply of essential products. On this basis, it is necessary to draw up proper plans for the procurement, distribution, and allocation of important commodities. Attention must be paid to the procurement of cotton, grain, and oil as well as the allocation and transference of pork between provinces. Efforts must be made to improve the reserve system, suitably increase the varieties of reserves, replenish the amount of reserves, and readjust the product mix of reserves. Efforts must also be made to establish special reserve funds and risk funds, particularly risk funds for farm and sideline products, and put more resources and funds in the hands of the state, so as to create conditions for regulating and controlling the market and ensuring the needs of key projects.

Curbing excessive price hikes is a key task of macrocontrol. It is necessary to strengthen price management. With regard to products subject to pricing by the state, it is impermissible to raise prices without authorization or in a disguised way. With regard to products whose prices are monitored, it is necessary, when adjusting prices upward, to strictly adhere to the stipulated system by submitting applications or filing for the record, to observe the prescribed differentials and ceilings, and to conduct price reviews from time to time. As for open-price commodities, prices should be fixed in a rational manner in the spirit of "government delegating its power, enterprises exercising strict management." Departments in charge must properly exercise price management for their respective trades, and assume the task of coordination, guidance, and supervision.

Third, efforts should be made to deepen the reform of the circulation system for important commodities. Since

the beginning of reform and opening up, the monopolistic purchase and marketing system of state-run commerce and of the materials, grain, and supply and marketing departments has been smashed, and there has developed a multichannel and open circulation system where the main channel of state and cooperative circulation enterprises exist side by side with other economic sectors. This has promoted the development of circulation and promoted the prosperity of urban and rural markets. However, there are also problems that urgently need to be solved. The main problems are: There are more circulation links, but the circulation order is chaotic, and a unified, open, competitive, and orderly market system has not been well-developed. Many enterprises and individuals are resorting to illegitimate means of competition, such as attempting to dominate the market by fraud, concluding deals by force, adulterating goods with sham and shoddy ones, hoarding goods for speculation, jacking up prices, and disrupting the market to make exorbitant profits. The fact that the retail price index has remained at a high level for a long time has a lot to do with the confusion which prevails in the purchase and marketing system and in circulation. In recent years, the proportion of the volume of purchase and sales by state and cooperative circulation systems in the total volume of purchase and sales in the country has been declining by a big margin. State commercial enterprises are lacking in vitality. As their position and role as the main channel plunge, they can no longer control prices. This is not conducive to the realization of the goals of macrocontrol.

In 1994 the State Council adopted a number of important measures to reform the circulation systems for major commodities, such as grain, cotton, chemical fertilizers, and processed petroleum. In 1995 we should continue to explore ways of deepening the reform of the systems of circulation for edible oil, edible sugar, pork, and important means of production. Making state and cooperative enterprises within the internal trade system the main channel of circulation will have an important role to play in ensuring market needs and stabilizing prices. The circulation of commodities will not be smooth without multiple channels, and will not be stable without a main channel. At present, the proportion of sales by state and cooperative circulation enterprises under the internal trade system is declining. The market share of the commercial, grain, and supply systems is under 25 percent, while that of the materials system is under 20 percent. Moreover, most enterprises are deep in the red and are in great difficulty. This renders them incapable of regulating the market and stabilizing prices. The main reason for this is that the organizational structure and operation of these enterprises cannot meet the needs of the market economy. Their heavy historical burdens and great difficulties put them in an unfavorable position in market competition. Therefore it is necessary to speed up the change of operational mechanism in state and cooperative circulation enterprises, and increase their competitive edge. At the same time, the state must

give them the necessary support, so that they can truly play their role as the main channel, and continue to make their contributions in ensuring stable market supplies and stabilizing prices.

Liu Xiangdong [0491 0686 2639], Assistant to the Minister of Foreign Economic Cooperation and Trade: Speed Up the Development of Foreign Economic Cooperation and Trade

China's foreign economic cooperation and trade had a good year in 1994. The following were some of the main manifestations: First, following the implementation of reform measures, with the merging of exchange rates as the focus, foreign trade saw rapid development. Between January and October 1994, China's total volume of imports and exports reached \$177.3 billion, a year-on-year increase of 21.7 percent. Of these, exports accounted for \$89.8 billion, 29 percent more than the corresponding 1993 figure, and imports accounted for \$87.4 billion, an increase of 14.5 percent. After the merging of exchange rates, the value of the renminbi increased, and export proceeds exceeded foreign exchange sales. The foreign exchange balance topped \$40 billion. The export commodity structure was greatly improved. The export of manufactured goods accounted for 83.5 percent of the total volume of exports, 2 percentage points higher than the corresponding 1993 figure. Second, utilization of foreign capital continued to show steady progress. Between January and October China approved 37,735 direct foreign investment projects, with agreed investments totaling \$62.5 billion yuan and actual investments exceeding \$25.2 billion, 43 percent more than in the same period of 1993. The product portfolio was more reasonable, and improvements were shown in the quality of the projects. There was a notable increase in the number of funds- and technology-intensive projects, particularly in the number of large projects, infrastructural projects, and raw and semifinished materials projects with foreign investment.

There are also problems in foreign economic cooperation and trade. The first problem is that as a result of the appreciation of the renminbi, export costs remain at a high level, and exporters are faced with grave difficulties. A survey shows that with export costs in most places approaching exchange rate levels [as published], the benefits of the merging of exchange rates are offset. This is partly due to drastic price rises at home and the fact that the price reform has not produced the anticipated results. However, it is also directly related to unreasonably low export prices due to dispersed operations, chaotic export order, and vicious competition. The second problem is the further worsening of the import product mix. This mainly refers to the substantial drop in the proportion of advanced technologies and key equipment, especially complete sets of equipment, in technology imports. In 1993, technology accounted for 10.4 percent of total imports, but in 1994 it dropped to 3.2 percent. This not only greatly reduced the use value

of foreign exchange and resulted in serious waste and losses, but affected further technological advances in enterprises. The third problem is the decline in the quality of export commodities. Many fake and shoddy goods have found their way into the international market through various channels, and this is seriously affecting the good name of Chinese exports. The fourth problem is the lack of clear guidance for foreign investment and lack of policy cooperation. This has increased the misgivings of foreign investors.

In 1995, it is still necessary to maintain a fairly high speed of development in foreign trade. This will help us do a better job in making comprehensive use of the two markets and two types of resources to make up for the shortage of funds, import advanced technologies, and speed up the technological transformation of existing enterprises. We should see that the present situation is advantageous to our development of foreign trade. First, economic readjustment in the West has produced initial results and the world market is coming back to life. Second, while the development of the world economy in the direction of regional blocs has brought about trade protectionism, it has also had a positive impact on our foreign trade, utilization of foreign capital, technological imports, and so on. Third, propelled by the Uruguay Round, the multilateral world trade system has been further consolidated. Although it does not take care of the interests of developing countries like ourselves as much as we hoped it would, it is still better than what we can secure in bilateral negotiations. On the home front, we are enjoying political and social stability and economic development, as well as the special advantages of sufficient labor and a vast market. As long as we continue with our efforts to strengthen macrocontrol, and pay attention to the solution of major problems in our economic life, we will become increasingly attractive to foreign investors.

In dealing with existing problems and the needs of future development, the following are the main measures that should be adopted:

First, the quantity-oriented mode of export should be changed in favor of a performance-oriented mode. In a country like China which has a huge population and a weak foundation, it is difficult to sustain export growth merely by relying on quantitative increases. It is thus necessary to make a switch to a performance-oriented mode, that is, to create more foreign exchange with the least material consumption. To do this, enterprises must first overcome their existing problems, such as extensive operation, lax management, serious wastage, and slow turnover of funds, and make the transition to performance-oriented operations.

Second, efforts should be made to effectively strengthen macrocontrol and to reform the import management system. On the one hand, it is necessary to strengthen the coordination and service functions of various chambers of commerce, to continue to enlarge by economic means

the scope of purchase by invitation to bid, and to further prevent and prohibit the further development of vicious competition. On the other hand, foreign trade management departments and foreign exchange settlement banks must make use of all means available to resolve existing problems. The whole society should pay close attention to the question of the quality of export commodities rather than leaving it entirely to the foreign trade departments. It is necessary to properly manage production as well as circulation, and properly guard various channels and links.

Third, efforts should be made to seize opportunities to make positive and effective use of foreign capital. The question of the deregularization of the service trades should be put on the agenda. The service trades should be aligned with international norms and practices in order to raise the service standards and efficiency of our service trades. Clearer policy guidelines should be given on the use of foreign capital, and efforts should be made to overcome blindness and to continuously improve the quality of investment.

**Vice Minister of Labor Liu Yazhi [0491 7161 5347]:
Deepen the Reform of the Social Insurance and
Distribution Systems**

I wish to discuss two questions.

1. The question of the distribution of wage income in enterprises. Since the beginning of reform and opening up, China has carried out many reforms in its system of distribution in enterprises. A pattern of distribution with distribution according to work as the mainstay and other means of distribution as supplements is slowly taking shape. The enthusiasm of staff and workers has been aroused, and enterprises have been invigorated. However, there are still many problems in the distribution of wage income in enterprises. The following are some of the main problems: Wage income is too high and wage growth is too fast in the sphere of circulation, in commercial banks and financial institutions, and in individual monopolistic trades. The wage gap between staff and workers in various regions, trades, and enterprises is widening, and structural contradictions are becoming more prominent. There are serious arrears of wage payment in some enterprises. Non-wage incomes are issued under all kinds of names, and there exists the phenomenon whereby egalitarianism in distribution and vast disparities coexist. From the macroscopic perspective, these problems have emerged mainly because we have not come to a unified understanding of what constitutes distribution according to work under the socialist market economy. Hence the "disorder" in distribution. Also, as a result of the diversification of distribution entities, non-wage incomes and non-employee incomes are left without proper management. There is also a lack of overall balance in wage-related reforms. From the microscopic perspective, they stem from the fact that the distribution mechanism still leaves much to be desired, and that a mechanism of self-restraint in distribution is not yet in place. Another

reason is that since the introduction of the new accounting system and the cancellation of wage fund items, cash spending is not carefully audited and enterprises are able to invent all kinds of accounts to increase the income of their staff and workers.

In order to exercise effective control over the rapid growth in the wages of staff and workers, we are of the view that a system should be established whereby applications for the introduction of major measures have to be submitted level by level. Under this system, government departments at all levels must seek the approval of the department at the next higher level before they can introduce wage increase measures. The flexible total wage expenditure plan handed down by the state must be strictly implemented, and a notice of criticism will be circulated when overissuing is discovered. In a case of serious overissuing, the unit concerned shall be made to increase its contributions to the central authorities by the amount overissued, or face a cut in subsidies from the central authorities by the amount overissued. Further efforts should be made to improve the method of linking wages to performance, to strictly adhere to the plan on integrating wages with performance approved by state policies, and to strengthen the work of checking up on enterprises. Enterprises that are in the red should not be allowed to increase wages or issue bonuses. It is necessary to concentrate efforts on strengthening macrocontrol over the total wage expenditures of companies in the sphere of circulation, monopolistic companies, and commercial banks and financial companies where wage levels are high and where wages increase too rapidly. It is also necessary to continue to explore new ways of exercising macrocontrol over wages, to establish wage increase guidelines in areas where the economy is highly developed and where the labor market is well developed, and to practice a system of collective consultation in the determination of wages, in order to guide the rational increasing of wage levels. A minimum-wage assurance system should be instituted in an all-round way to guarantee a minimum wage for staff and workers.

2. The question of social insurance. After more than 10 years of reform, we have initially developed a set of ideas as to how our social insurance system should be reformed. These ideas are: To establish, step by step, an integrated old-age insurance system for the staff and workers of all enterprises in all cities and towns, and to introduce a multilevel old-age insurance system with basic old-age insurance by the state, supplementary old-age insurance by enterprises, and old-age insurance by individuals with personal savings forming the main constituents. Basic old-age insurance expenses are to be borne by the units and the individuals themselves. The method of computing and issuing old-age pensions should be reformed in accordance with the principle of combining overall social planning with individual accounts. A method which links old-age pensions with the average wage in society and the duration and amount of insurance paid by the individual concerned should be implemented.

On the whole, the reform of the social insurance system is lagging behind and cannot meet the needs of the socialist market economy. Social insurance covers only a small area, and the reform aimed at the establishment of a multilevel old-age insurance is progressing slowly. Unemployment insurance is basically restricted to state enterprises, and existing unemployment insurance funds cannot meet the needs of reform. The socialized management and service standards of social insurance are low. To meet the needs of enterprise reform, substantial progress must be made in the reform of the social insurance system in 1995. First, it is necessary to further reform and perfect the social insurance system, promote the integration of social insurance, remove the boundaries between different ownership systems and between different laborers, and gradually implement a social insurance system with unified rules, unified standards, and unified management which is applicable to employees of all types of enterprises in cities and towns. Second, it is necessary to further explore concrete modes of basic old-age insurance on the basis of the principle of combining overall social planning with individual accounts, to sum up experience, and to promote the experience thus gained in the whole country. Third, it is necessary to step up the work of establishing pilots for experiments on the multilevel old-age insurance system, to conscientiously sum up experience, and to put forward methods for standardizing the system. While enlarging the scope of unemployment insurance, it is necessary to increase the sources of funds and increase the ability of unemployment insurance funds to bear unemployment relief and promote reemployment, in order to promote a more favorable environment for enterprise reform. Fourth, it is necessary to raise the socialized management and service standards of social insurance. The means of collection and payment should be strengthened, and efforts should be made to achieve a higher rate of collection and payment. Various management systems should be perfected to ensure that special funds are used for their specific purposes. Efforts should be made to study and draw up methods of auditing and supervising the funds. In addition, it is necessary to establish a work injury insurance system that covers all enterprises in urban as well as rural areas. In accordance with the principles of the community footing the medical bills in cases of serious illness and establishing individual medical insurance accounts, it is necessary to make positive efforts to experiment with the reform of the medical insurance system in selected units.

Wang Zhongfu [3769 5883 1318], Director of the State Administration for Industry and Commerce: Strive To Establish a Good Market Order

In view of weak management, sluggish progress in the building of market systems, confusion in the rules and regulations governing transactions, as well as insufficient supervision over transaction activities which prevailed in the operation of the market economy, the Central Economic Work Conference unequivocally stressed the

need to continue to cultivate markets, pay close attention to economic legislation, improve the transaction order, and shift the focus of work to the strengthening of market supervision. In line with this requirement, we should focus our attention on the following aspects in our work in 1995:

First, we must pay close attention to the establishment of rules and regulations to standardize market behavior. The market economy is an economy based on the legal system. As such, it is necessary to have a set of laws and regulations that can protect the normal operation of the socialist market economy to provide norms for market behavior. Not long ago, the NPC Standing Committee examined and passed the "Law on the Protection of Consumer Rights," the "Law Against Improper Competition" and the "Advertising Law," as well as the revised "Trademark Law" and "Economic Contract Law." In 1995, the "Partnership Law," the "Law Governing Sole Proprietorship Enterprises" and the "Antimonopoly Law" will be drafted, and the relevant rules and regulations will be drawn up as quickly as possible. Market transaction rules and regulations will also be improved and perfected, and will made more standardized, scientific, and systematic.

Second, we must strengthen the intensity of law enforcement, and do a solid job in improving market supervision for the sake of reform and opening and for promoting the healthy development of the market economy. Stern measures must be taken against fake and counterfeit products to protect the rights and interests of consumers. Counterfeit trademarks, false advertising, imitations, and inferior commodities directly infringe upon the rights and interests of consumers, and even endanger people's lives and health. Despite repeated raids against them, they have not been completely rooted out. In 1995, greater efforts must be made to investigate and deal with such cases, with emphasis on fake and shoddy foodstuffs, pharmaceuticals, and cosmetic products, edible salt of inferior quality, as well as spurious seeds, chemical fertilizers, and pesticides. Repeat offenders and those who shield and harbor them must be seriously dealt with in accordance with the law. It is necessary to protect fair transactions, and deal stern blows at improper acts of competition. At present, some enterprises and individuals are making use of imbalances between supply and demand as well as natural disasters to hoard goods for speculation, jack up prices, dominate the market, force deals on others, or even resort to extremely improper and illegal means to secure exorbitant profits. These acts are in grave contravention of the principle of fair transactions, and have disrupted market order. They should be seriously dealt with in accordance with the law. We must strive to improve the standardized management of the market, strictly implement the system of clearly marking the prices of commodities, and resolutely oppose and prohibit price monopoly.

We should uphold business reputations and strengthen contract administration. As a result of declining business

reputations and poor contract administration, mutual defaults on payments are serious and new debt chains have emerged in the operation of the market economy. In view of these problems, it is necessary to exercise strict supervision over the implementation of contracts, and deal sternly with fraudulent business practices. Post-registration following up and supervision of enterprises must be strengthened. Fraud is common in the market. Some enterprises have no office premises or capital although they have been registered. Rather than carrying out business operations, they engage in fraud and seriously disrupt economic order. Thus, it is necessary to conduct a check-up on all registered enterprises. Through annual checks on enterprises, we should discover those enterprises that exist in name only and promptly recall their business licenses.

Third, we must continuously push forward reform in accordance with the requirements for the establishment of the socialist market economic system. We must gradually extend and push forward the reform of the examination and approval system, and bring about a change in the functions of government. The government must earnestly do a good job of macrocontrol. It is necessary to actively cultivate and develop intermediary organs, promote the separation of politics and administration, and do a better job of exercising administration in accordance with the law.

**Chancellor of Beijing University Wu Shuqing [0702
2885 7230]: Maintain Appropriate Economic Growth
While Keeping Prices Stable**

While fully appreciating the tremendous achievements we have scored in economic construction and in reform and opening, we must also soberly recognize that there are major problems and difficulties in our way of advance. The reasons are that as we are still in the process of establishing a socialist market economic system, there are still problems and contradictions of a deeper level in the running of the economy which have not yet been fundamentally resolved; the foundation for the maintenance of overall balances of economic aggregates is not firm enough; effective mechanisms for optimizing the economic structure and for upgrading economic performance are still lacking; the tasks of enterprise reform remain arduous; and reforms aimed at macrocontrol still leave much to be desired. On the whole, the economy has not yet entered a benign cycle of development. At present, with the magnitude of price rises remaining at a high level, inflation is serious. This grim situation urgently needs to be resolved step by step through reform and development in 1995.

If we are determined to stem inflation, we must tackle the problem in a comprehensive way. First, we must better understand the danger of inflation and the urgent need to curb inflation, and must not allow unscientific notions such as "inflation is harmless" and "inflation will help economic development" to befuddle the understanding of leaders at various levels. We must see that at

a time of rapid economic development, particularly at a time when we are switching from one system to another, some degree of inflation is inevitable. At present, inflation is mainly cost-pushed. As a result of the excessively rapid growth in investment and the overissuance of currency in recent years, the prices of raw and semifinished materials, fuel, land, capital and wages, and other production factors have risen by big margins. This, coupled with the structural price adjustments for grain and other farm and sideline products, which are necessary for the development of agriculture, have pushed up costs and resulted in drastic increases in consumer prices. Price rises of this nature are characterized by their intractability, and it is not easy to make them fall rapidly within a short time. However, this does not mean that double-digit price rises are normal and harmless. If price rises of this type are not effectively checked, it is not only not harmless, but extremely dangerous. No one who is truly concerned about the healthy development of the national economy can turn a blind eye to a double-digit rate of inflation.

Second, we must strengthen and improve macrocontrol, properly grasp the intensity of investment and money issuance, and continue to exercise strict control over the excessively rapid growth of investment in fixed assets and consumption funds. Rather than seeking temporary solutions, it is much better to take drastic measures to cure the problems for good. Strict control of excessive increases in investment and consumption funds is the fundamental way to curb inflation. To do this, it is necessary to correctly understand the spirit of Comrade Deng Xiaoping's instruction on seizing the opportunity to speed up development, concentrate on improving the quality and efficiency of economic growth, and truly change the mode of economic development from one which goes after output value and speed to one which goes after optimal structures and better efficiency. It is necessary to energetically carry forward the spirit of hard work and of building the country and doing everything through diligence and thrift in the whole society.

Third, we must truly accord priority to the strengthening of agriculture in our economic work, and energetically strengthen agriculture as the foundation of the national economy. With this in mind, we must steadily increase investment in agriculture, increase the overall productive capacity of agriculture, and increase our ability to fight natural disasters. The drought and flooding in 1994 occurred in a year when there was nothing really wrong with our major rivers, but the affected areas and the disaster areas were both worse than in 1991. This fully reveals the weakness of our agricultural foundation. If the question of the agricultural foundation is not resolved, not only will it be impossible for industry and other basic economic sectors to make greater progress, but also the prices of our basic means of livelihood will escalate because the supply of essential products is not satisfied. With expenditure on food accounting for a major share of consumption expenses, curbing inflation is easier said

than done. Apart from increasing investment in agriculture, it is also necessary to strengthen land management and guarantee the acreage of arable land and the area under grain cultivation. Major efforts must be made to halt the phenomena of showing keen interest in starting new projects, forcibly occupying farmland, leaving fertile farmland idle, and "not growing grain in coastal areas, not growing vegetables in the suburbs." At the same time, efforts must be made to increase the intensity of scientific and technological progress and to strengthen the building of commodity and agricultural produce production bases, in order to ensure the supply of essential farm and sideline products.

Last, we must devote major efforts to consolidating the circulation order. The price hikes in 1994 were to a large extent due to chaotic market circulation and to ineffective supervision. In the marketing of major commodities that are vital to the basic livelihood of the masses, the proportion distributed through state commercial operations is declining, and this makes it impossible to stabilize the market at critical moments. Practice has proved that too much blind faith in the "invisible hand" of the market and the view that the development of the market economy means that there is no need to exercise control and supervision over circulation and prices are detrimental to the healthy development of the socialist market economy. In a big country like ours, which is at a stage of transition from the old system to the new, increasing the ability of the state to adjust and control the market for major commodities is of the utmost importance. Measures must be taken to tackle this problem as quickly as possible.

RENMIN RIBAO Examines State Enterprise Reform

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[By Yuan Mu (5913 2606): "Several Issues of Basic Understanding on State Enterprise Reform"]

[FBIS Translated Text] The reform of state-owned enterprises is the focal point of China's economic work this year and for a period of time to come. It is also the crux of accelerating the establishment of a socialist market economic structure and of smoothly pushing forward the drive for modernization. Having conducted investigation and study for some time, some experts, academics, and entrepreneurs held several group discussions in which they felt deeply that consensus must be reached on some basic issues to ensure the success of the reform. Here, we would like to elaborate on some of their views and ask for advice from the vast number of our readers and men of insight.

I. The Overall Assessment of State-Owned Enterprises

It is necessary to make an assessment of the state-owned enterprises historically, comprehensively, and objectively. This is a matter of primary importance and a

basic footing regarding state enterprise reform, because our ideas on reform will be entirely different if, on the whole, we take an affirmative or negative attitude toward the state-owned enterprises. In this regard, our basic views are as follows:

First, after several decades of hard work since the founding of the PRC, we have established a state industrial system with a complete range of varieties which has laid down a powerful material foundation for faster economic development in China. Being basic units of the state economy, state enterprises, and large and medium state enterprises in particular, are exercising an extremely significant role in China's economic development.

Second, since reform and opening up, state enterprises, and large and medium state enterprises in particular, are still the major embodiment of China's comprehensive economic strength, the major source of financial income, and the major strength of social stability. In 1993, the industrial output value, the net value of fixed assets, and the profits and taxes of state-owned enterprises at and above township level accounted for 53, 75, and 66 percent respectively of the country's total. In communications, post and telecommunications, finance, and other industries, state-owned enterprises also held an absolutely predominant position.

Third, state-owned enterprises are exercising a key role in supporting reform and opening up and promoting the growth of other economic sectors. The introduction of some major reform and opening measures and the rapid development of collective enterprises, foreign-invested enterprises, and other economic sectors such as individual and private enterprises, were achieved through the greater share of the burdens borne by the state-owned enterprises in respect of financial taxation, unreasonable price burdens, social burdens, and overly heavy personal burdens. Without this condition, the practicing of many reform and opening measures is difficult to imagine.

Fourth, after a dozen years of reform, state-owned enterprises are gradually changing to become independent economic entities with decisionmaking power. Even under the condition of unequal competition, a considerable portion of enterprises still gained relatively good results. Taken as a whole, the economic results scored by state-owned enterprises were not poorer than enterprises in other economic sectors. According to State Statistical Bureau data, in 1992, profits and taxes realized by state-owned enterprises were 11.7 yuan per 100 yuan of sales income, which was higher than those realized by collective enterprises and other economic sectors at 9 and 10.2 yuan respectively. In 1993, the composite index of economic results for large and medium state-owned industrial enterprises was 9.6 percentage points higher than the national average, while the profit and tax rate on capital and the overall labor productivity were 0.35 percent and more than 33.3 percent higher than the national average respectively.

It is necessary to emphatically point out that state-owned enterprises are the reliable foundation and principal

front for the socialist material and spiritual civilizations, as well as for the building of socialist democratic politics and national defense.

It goes without saying that, judging from the current conditions of state-owned enterprises, we are still a rather long way from the demands of socialist market economic development and social progress, since the problems of inadequate vitality and poor efficiency have not been fundamentally resolved. Quite a few enterprises are still suffering from serious losses, even with their production suspended or partly suspended. This is due to causes in terms of structure, mechanism, or other reasons. For a long time, the tax burden for state-owned enterprises has been heavier than that for other economic sectors. For many years, they have also handed over too much in profits and taxes to the state while obtaining inadequate financial input, so that their debts are heavy, equipment is worn out, and their technology is backward. What is more, they have to bear onerous social burdens, provide jobs for excessively large numbers of surplus laborers, and so on. All these constitute precisely the problems that they must and can resolve by way of reform. While noting the problems existing in state-owned enterprises, it is all the more necessary for them to see the mainstream and the achievements attained by them to strengthen their confidence and inspire their enthusiasm for running the enterprises more efficiently. Under no circumstances should we regard the state-owned enterprises as a complete mess and treat them as "burdens"; still less should we negate everything they have achieved, otherwise reform will be led astray.

II. The Basic Orientation and Guiding Principle of Reform

It is imperative to carry out reform in state-owned enterprises. Only by resolutely eliminating various drawbacks in the traditional planned economic structure and by adapting themselves to the requirements of market economic development, can the state-owned enterprises fundamentally extricate themselves from their predicament. Our basic orientation of the state enterprise reform is: We should generally maintain the principal position of the public economy and exercise the leading role of the state economy. On the other hand, we should discover the best model for ownership by the whole people, so that they will genuinely become the main body of market competition and operate with vigor and vitality in accordance with the rules of the market economy.

To put this guiding principle into effect, we should pay attention to resolving the following problems in practical work.

First, we should adopt a correct attitude toward foreign models and foreign experiences. The Western countries have been engaged in the market economy for several hundred years, have acquired a relatively profound understanding of the law governing the market economy under

the condition of large-scale socialized production, and have accumulated a lot of successful experience. In this respect, we should learn from them and use their experiences as reference. However, the existing model and experience of any country cannot completely settle the problems in China. In the course of studying and assimilating their successful experience, we can only combine it with China's actual conditions so that it will be practicable in China after renovation and transformation.

Second, we should adopt a correct attitude toward our historical experience. After several decades of development, the state-owned enterprises have also accumulated a lot of good experience although there are still quite a few problems. Since the Third Plenary Session of the 11th CPC Central Committee, enterprise reform has gone through different stages, including the expansion of decisionmaking power in operations, the change from profit delivery to tax payment in two steps, the practice of the contracted responsibility system, the transformation of operational mechanisms, and so on. Generally speaking, we have scored notable results and accumulated new experience. The process from the expansion of enterprises' decisionmaking power to the institution of a modern enterprise system is the manifestation of repeated expansion of reform areas, the further maturing of reform conditions, and the continuous deepening of reform. It is the inheritance and development of previous reform experience and is by no means a fresh start. Hence, we must not regard the issue from outside its historical contexts.

Third, we should correctly handle the relations between reform, development, and stability. Carrying out reform positively and steadily, effecting a breakthrough at key points, and pushing it forward step by step are successful experiences. Reform should be conducive to promoting development and maintaining stability. State-owned enterprises are still undertaking the principal responsibility for economic development and social stability. In carrying out reform, we should positively get rid of the drawbacks and maintain the continuous development of production and a steady increase in workers' incomes. We should not push the large number of surplus workers into society regardless of the consequences, nor should we allow the large number of state-owned enterprises to land in a predicament because of our inappropriate measures. Otherwise, the economy will decline and many staff and workers will lose their jobs, which will probably trigger off social unrest.

Fourth, we should make unified planning, give guidance according to varying conditions, and make a concrete analysis of concrete issues. In such a big country as China where the economy develops in an extremely imbalanced way, there are great disparities between enterprises in different areas and trades. Consequently, the problems in reform encountered by enterprises differ in a thousand ways. We can only start with resolving the

practical problems in light of the characteristics of various enterprises, make unified planning, give them guidance according to varying conditions, and adopt different concrete methods and steps to carry out reform.

III. Upholding the Public Ownership Position As a Mainstay

In expounding the theory of building socialism with Chinese characteristics, Comrade Deng Xiaoping repeatedly stressed the need to persist in taking public ownership as the main body, pointing out that this is a fundamental principle that should be firmly upheld at all times. In the course of establishing the socialist market economic structure and carrying out reform in state-owned enterprises, we can only solidify and develop, rather than vacillate and weaken, the mainstay position of public ownership through reform. The reasons are as follows:

First, upholding the mainstay position of public ownership is an essential manifestation of the difference between the socialist and capitalist market economies.

Second, upholding the mainstay position of public ownership is the material foundation for resolving the problem of providing adequate food and clothing for 1.2 billion people in China, putting an end to exploitation, eliminating polarization, and ultimately achieving common prosperity.

Third, upholding the mainstay position of public ownership is the prerequisite for a multinational country like China, where the level of productive forces is developing rather unevenly, to narrow the gap between areas, promote coordinated development and common prosperity for various nationalities in various regions, enhance national unity, and achieve a lasting good order in the country.

Fourth, upholding the mainstay position of public ownership is a major condition for the state to better exercise macroscopic regulation and control of the economy as a whole, effect reasonable allocation of the elements of productive forces within the entire society, and bring about a sustained, rapid, and healthy economic development.

On the ownership issue, some views need to be clarified:

First, we should not criticize without making analyses that ownership by the whole people is "but an empty shell of property rights," think that "everything owned" means "nothing owned" by the whole people, and maintain that state-owned enterprises cannot become vigorous and energetic unless their rights are represented by stocks held by individuals through reform of property rights. After several decades of development, China's state-owned enterprises have grown from small to large, and the state-owned assets have increased from some billion to several trillion yuan. They are the most important guarantee for the socialist society in the development of productive forces, the increase of national

strength, and the enhancement of the people's living standards. These properties are created by the people, so, they belong to them and are used by them. How can this be "nothing owned by the whole people?" Finding out the best form of manifestation for the ownership of the whole people through reform and simply negating the nature of the ownership of the whole people are two entirely different things. The former is the major objective of our reform and the latter is what we should do all we can to avoid. We must on no account confuse one with the other.

Second, we should not discuss abstractly the question that ownership is merely a means and not an end. The aim of our reform is to develop the productive forces more rapidly and effectively and the productive forces we want to develop are those of the socialist society. If we do not uphold the position of public ownership as a mainstay and exercise the leading role of the state-owned economy, we will have no socialism at all. Therefore, we should by no means use the argument that ownership is "merely a means and not an end" to shatter or even negate the fundamental principle of persistently taking public ownership as a main body in building socialism, as repeatedly stressed by Comrade Xiaoping. Otherwise, upholding the position of public ownership as a mainstay will become unessential and meaningless.

Third, we should not discard our party's consistent proposition that nonpublic economies are necessary and useful "supplements" of the socialist public economy. Only by adhering to this principled stand and established policy can we attain long-term and mutual development of the public ownership as a main body together with the multiple economic sectors, encourage the further growth of nonpublic economies, and fully exercise their positive role. This will also help intensify the necessary guidance to and management of these economic sectors to restrict some of their negative effects which have been unavoidable produced.

Some people are prone to cite the conditions of "privatizing" the "state-owned" or "publicly-owned" enterprises in developed capitalist countries or some burgeoning industrial countries, believing that "privatization" has become a development trend in the world economy, and that China seems unlikely to be an exception. However, there are two points that should be pointed out without equivocation: First, the above idea simply negates the essential difference between the socialist and capitalist systems because, under the capitalist system which is based on private ownership, privatization of enterprises is natural and logical. Second, even in the developed capitalist countries and some burgeoning industrial countries, there are still some "state-owned" or "publicly-owned" enterprises that are very well managed. Meanwhile, the practical results of privatization have been good for some and bad for others, so they have either been praised or censured by public opinion. The practice of privatization in some former socialist countries which have undergone drastic

changes, shows that the actual conditions and their prospects are not really very good. Therefore, privatization cannot be taken as a conduct guide for us.

IV. Operation Areas and the Proportion of the State Economy and Organizational Form of State-Owned Enterprises

This is closely linked with the issue of upholding the mainstay position of public ownership and exercising the leading role of the state economy. In our view, exercising the leading role of the state economy means that, being the representative of advanced productive forces, the state economy must control the lifelines of the national economy, act as the main force in international economic competition, display its functions as foundation and dragon head in the national economic development, and lead other multiple economic sectors and promote various regions in their coordinated development.

In order to exercise the leading role of the state economy, the state-owned enterprises must be engaged in the basic and noncompetitive industries. At the same time, they should also exercise a major role in the competitive industries that have a bearing on the national economy and the people's livelihood and on the long-term development of the country. Generally speaking, they should chiefly cover the following aspects:

1. Social public infrastructure facilities, such as mail, telecommunications, transportation, ports, large irrigation projects, and so on. These facilities can produce great social effects but, since they call for large amounts of investment and the returns are slow, nonpublic enterprises are generally not in a position to undertake the construction of these facilities.
2. Basic industries such as coal, electrical power, petroleum, iron and steel, chemicals, and so on, which are important bases for the country's economic development.
3. Backbone industries such as machinery, electronics, automobile, building, and so on, which are major strengths that contribute to the entire national economic development, elevate the quality of the economy as a whole and increase international competitive power.
4. New hi-tech industrial departments are newly emerging industries with an impact on the country's advancement in science and technology and the readjustment and upgrading of the industrial structure.
5. Industries exercising a role in regulating and controlling the national economy, such as banking and others, which are the indispensable trades for practicing macroeconomic and structural readjustment policies.

Under the precondition of maintaining the leading position of the state economy, instead of excluding the participation of foreign investors and other economic sectors, we should appropriately attract their participation in these areas. This is workable and is conducive to accelerating the economic development in China, so we should do it accordingly.

Since reform and opening up, state-owned enterprises have positively utilized foreign capital and imported advanced technology, products, and managerial expertise, which have mitigated the contradiction of insufficient funds in enterprises, expedited the transformation of enterprise operational mechanisms, and played an active and important part in running these enterprises well. On the whole, the results have been very good. In the future, we should continue to take the positive utilization of foreign capital as a major channel for running state-owned enterprises properly, thereby bringing about a faster process of reorganizing and transforming more state-owned enterprises. At present, however, some places or enterprises have taken the "grafting" transformation through utilization of foreign capital as the principal, or even only, outlet for state-owned enterprises. They used the limited domestic funds to establish new projects, seriously ignored enterprises' technical transformation, and entirely depended on foreign investors for the transformation of old enterprises. Such ideas and practices merit serious discussion. Here, there is a question about whether or not we have large amounts of foreign capital to utilize. Moreover, foreign investors generally like to invest in enterprises which have good economic results and development prospects, having no interest in those that are in great difficulty and urgently need to be transformed. Furthermore, if all or most of our state-owned enterprises are transformed into joint ventures or foreign-invested enterprises, what will China's overall economic situation look like at that time? This is an extremely important issue which we should consider seriously and treat conscientiously.

Regarding the proportion of the state economy in the entire national economy, there are definite stipulations in principle set out in the decision by the Third Plenary Session of the 14th CPC Central Committee as follows: "The state and collectively-owned assets should hold a predominant position in the total social assets" and "the state economy should control the lifelines of the national economy and exercise a leading role in the economic development." The "predominant position" stated therein should be understood to cover both quantity and quality because there will be no quality without a certain quantity. Under the circumstances that the state economy has declined noticeably and state assets have drained away substantially over the past few years, it is obviously inappropriate to blindly advocate a further substantial reduction in the proportion of the state economy and it would even be dangerous to put it into practice.

Of course, we should also note that before reform and opening up, we had set up projects, which were too numerous in number and too large in scope, in the trades and departments that were not suitable for state economic operations. This has not only affected and restricted the growth of other economic sectors but has also become a major cause of the current situation whereby state-owned enterprises are bogged down in great difficulties. Therefore, it is indeed necessary to

contract the fronts under the precondition that the efforts to exercise the leading role of the state economy are not affected and to transfer with compensation some state-owned enterprises, mainly small ones, in a proper and systematic way. However, the practice of rushing headlong into mass action should be avoided. In this way, we will not cripple the state economy but foster its even healthier growth.

On the issue of enterprises' organizational pattern, state-owned enterprises should also select appropriate forms according to their actual conditions. Various types of state-owned enterprises with varying conditions should have multifarious forms, which may include wholly-owned state enterprises or enterprises under mixed ownerships such as companies with limited liability, shareholding companies, and so on. They can be jointly formed by several state-owned main investment bodies or by such bodies plus nonpublic and individual sectors. In accordance with the law governing large-scale socialized production, the separation of government functions from those of enterprises, the promotion of lateral economic associations, and the utilization of economic means to positively establish and develop a number of large multitrade, transregional, and even transnational enterprise groups should be the orientation of our efforts to carry out enterprise reform. In future, the state economy can absorb social funds and provide guidance through wholly-owned state enterprises, as well as enterprises whose stocks are held by the state, so that they can exercise the leading role more effectively.

V. The Modern Enterprise System

The Third Plenary Session of the 14th CPC Central Committee has put forward the reform direction of gradually instituting a modern enterprise system. The essence of this issue is to establish a microeconomic pattern under which public ownership is organically combined with the market economy and to genuinely turn state-owned enterprises into economic entities full of vigor and vitality and capable of participating in market competition under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. In the reform practice of instituting a modern enterprise system, we should definitely pay attention to the following issues:

First, the modern enterprise system in China should also accord with China's national conditions and have Chinese characteristics. We must proceed from the reality in China and initiate a modern enterprise system with Chinese characteristics in light of our specific features and on the basis of conscientiously assimilating the successful experiences of the Western developed countries.

Second, the modern enterprise system with Chinese characteristics should "take public ownership as a main body." Certainly, an enterprise system is not equal to an ownership, yet they have differences as well as connections that cannot be artificially separated. Over a period of time, when explaining the modern enterprise system,

some comrades only stressed that it was merely an organizational form of enterprise, thinking that it had no connection with ownership. Perhaps this view is wrong. The Third Plenary Session of the 14th CPC Central Committee pointed out unequivocally: "The modern enterprise system with public ownership as a main body is the basis of the socialist market economy." In our opinion, it is extremely necessary and important to unify people's understanding in accordance with this thesis.

Third, we should seek truth from facts and pay attention to actual results. The modern enterprise system is not merely a form but has rich connotations. Whether or not an enterprise should institute a modern enterprise system is not a matter of the name. Rather, it should be judged chiefly by whether or not it has genuinely transformed operational mechanisms, established a scientific management system, possesses advanced technological equipment and quality products, and has the capability of developing energetically amid the market environment of equal competition. These are the yardsticks to justify the institution of a modern enterprise system.

Fourth, we should practice boldly and advance steadily. At present, the experiment organized by the State Council in a unified way is a major step for the institution of a modern enterprise system. Various localities should suitably increase experiments of their own but they should not make experiments on too large a scale.

Fifth, the transformation of enterprises' operational mechanisms is the basic task and essential substance of the institution of a modern enterprise system. It should not be separated from the renovation of the enterprise system, still less should they be set against each other. The pilot enterprises practicing the modern enterprise system, and the great majority of enterprises in the entire region, should further speed up implementing the regulations on transforming operational mechanisms in enterprises. In the meantime, they should intensify supervision over the state-owned assets according to the law, to advance toward instituting a modern enterprise system through concerted efforts.

VI. Regarding Enterprises' Corporate Property Rights

In our opinion, it is wrong to think that raising the question of enterprise corporate property rights means wanting to form a new enterprise property ownership. Instead, it should be comprehended as an endeavor to further facilitate the separation of ownership from the management power, under the precondition of protecting the state ownership and ensuring the preservation and increase of value of the state-owned assets, and by way of defining enterprises' obligations to vest financial contributors with independent controlling power over the property which they operate and manage. It seems that the suggestion of defining enterprises' corporate property rights should be construed as a connotation that chiefly covers the following three aspects:

1. Guaranteeing the rights and interests of the owners. In accordance with the capital amount invested by the

owners in an enterprise, they can enjoy various rights including the right to share profits, the right to elect members of the board of directors through legal procedures, participation in the appointment and dismissal of enterprise managers, and the right to participate in making major policy decisions concerning the enterprise.

2. Guaranteeing the independent operation of the enterprises. As long as an investor or several investors make financial contributions to an enterprise, it will become a new corporate entity, from which nobody can withdraw their contribution at will nor exercise direct intervention in the disposal and operation of the enterprise's property, to guarantee the enterprise's ability to undertake civil obligations over the property, operate independently, and assume sole responsibility for its own profits and losses.

3. Guaranteeing the limited liability to be undertaken by the financial contributors and enterprises respectively. After the contributors invest their money in an enterprise, they will only assume liability for the enterprise's debts within the limit of their investment, while the legal persons of the enterprise will only assume liability within the limit of the enterprise's total legal property as well as the civil obligations of operational results.

In order to arouse the initiative of the managers, staff, and workers of an enterprise, the owners may decide to distribute a part of its profits to them or even let them hold a certain amount of stock. They may also allot part of the stock to the operators as remuneration. However, these are actions generated by the owners' power and cannot be decided by the operators, otherwise this will constitute an infringement upon the rights of the owners.

At present, apart from the understanding which takes the effort to define enterprise corporate property rights as an intention to form a new enterprise property ownership, there are various kinds of explanations based on the above understanding which have been openly published in newspapers and some meeting documents from time to time, and which have produced a certain impact on practical work. In recent years, China's state assets have drained away seriously, as many of them have become the property of small collectives or even individuals. Today, this tendency is still growing and we cannot help but say that it is, to a considerable extent, related to the above erroneous understanding. Hence, it has become a vital issue that should be seriously treated and strictly defined.

Since reform and opening up, and particularly since the practice of "changing allocation of funds into loans," some state-owned enterprises have been set up with loans provided by the state or specialized banks, rather than with the financial input of the state as they were in the past. Should these properties belong to the enterprises after repaying the loans? In our opinion, this practice of providing loans instead of putting in capital is a specific product of the transition period from the planned to market economy. The best way to settle this

issue is to turn this part of the loans into capital held by the state. By so doing, we can reduce the loan burdens of enterprises and make clarify the ownership of the state over the enterprises, instead of making enterprises owners of the properties.

Straightening out the relations between the authority of owners and the responsibility of operators on the basis of clarifying the relations between ownership and management of enterprises is the essential content of instituting a modern enterprise system. We must pay serious attention to the reform of the property rights system. However, if we equate the reform of the property rights system with the institution of a modern enterprise system, thinking that the modern enterprise system will be automatically instituted once the issue of property rights is settled, then the condition of low efficiency in the state-owned enterprises will not be fundamentally changed. Such a view is, perhaps, also wrong. The problems currently existing in China's state-owned enterprises absolutely should not and cannot be totally attributed to the problems in property rights. That is why they cannot be resolved by just depending on the reform of the property rights system.

VII. How To Start With Reform and Resolve the Practical Difficulties in State-Owned Enterprises

Indeed, there are quite a few state-owned enterprises with poor performances and low economic results in China today. Some of them have suffered losses for a long time, others have even suspended or partly suspended their production, and a number of practical difficulties exist universally in many enterprises. These problems have affected the overall situation of the macroeconomy and the stability of the ranks of staff and workers rather seriously and they have become urgent and realistic problems in the course of economic and social development. Under these circumstances, how should the reform of state-owned enterprises start? After repeatedly soliciting opinions from enterprise operators, staff, workers, experts, and academics, our comparatively unanimous views are: Reform must focus on the enhancement of economic results by every possible means; firmly grasp the key link of suiting, exploring, and occupying the market; lay equal stress on the transformation of operational mechanisms and the intensification of management; vigorously step up technological transformation; improve product quality and strive to score relatively notable results for enterprises in terms of raising efficiency as quickly as possible. The above endeavors will be conducive to integrating the work of in-depth reform with the promotion of development and the maintenance of stability more effectively.

As for the problems currently existing in the enterprises such as inadequate funds, poor accumulative capacity, excessively numerous retirees and surplus personnel, overly heavy debt burdens, and so on, their occurrences are attributable to causes in terms of structure and mechanisms; cause of their own, such as low quality,

poor management, and short-term behavior in enterprises; and other social and historical causes. If we do not resolve them as quickly as possible, they will seriously affect the advance of reform and even threaten the survival of the enterprises. To settle these problems enterprises must, in the first place, enhance their vigor and work assiduously and enthusiastically. In the meantime, the state should also create the necessary conditions for them.

It should be stressed that to overcome the practical difficulties encountered by enterprises, we cannot simplistically apply the traditional administrative measures or those adopted under the planned economic system. We should employ reform methods to solve the difficulties and combine this with enterprise reform so that they are carried out in a synchronous manner. To lighten the onerous debt burdens of state-owned enterprises, for instance, we cannot simplistically depend on such methods as financial input, bank write-off, debt remission, and so on, because the state and the banks are incapable of doing this. Even though they are capable and will apply the above measures, then, with enterprises' mechanisms remaining unchanged, they will be encouraged to rely solely on the state and thus add a greater weight to the burdens already borne by the state and banks. Therefore, this problem can only be resolved chiefly through the measures of rescheduling debts and assets, changing creditor's rights to stockholder's rights, broadening the channels for fundraising, and so on, and through integrating the foregoing practices with state asset management structural reform and state investment and financing structural reform in the course of separating government functions from those of enterprises and transforming enterprises' operational mechanisms. Likewise, regarding the vast numbers of surplus staff and workers in the enterprises, we cannot simplistically push them into society. Rather, we should fully release the initiative of the government, enterprises, and individuals, encouraging the public, collective, private, and individual economic sectors to jointly participate in the development of a diversified economy, the absorption of the enterprises' surplus personnel, and the acceleration of economic development, thereby turning the disadvantages into advantages. Meanwhile, enterprises should also deepen reform within themselves, take pains to improve their quality, repeatedly enhance their managerial standard, and arouse the enthusiasm of all the parties concerned to surmount the various kinds of difficulties which they face.

In order to solve the practical difficulties of the enterprises it is also necessary to carry out coordinated reforms and create a good external environment for them. It is necessary to further speed up changes of government functions and reduce the unreasonable administrative interference by the government departments in enterprise affairs so that the government departments can perform their due administrative and social functions well. It is necessary to establish an

effective state-owned assets management and operational system, so that the state's administration over the enterprises as the owner can be changed from direct management into the management and operation of funds. It is necessary to improve and further promote reform of the management structure in the fields of planning, investment, and prices, as well as in financial, tax, and monetary affairs, so that the state-owned enterprises can really participate in competition in a fair market environment. It is necessary to actively promote the establishment of all kinds of markets, especially the market of major elements, and give fuller play to the basic roles of the market in resources allocation. It is necessary to accelerate reform of the social insurance system and establish and perfect all kinds of social insurance systems as soon as possible, including pension, unemployment, medical insurance, labor insurance, social relief, and other insurance and guarantee systems. All these issues have already been placed on the agenda and they brook no further delay.

VIII. The Issue of State-Owned Enterprises in Counties (Cities)

The state-owned enterprises in counties (cities) make up a considerable proportion in the budgetary state-owned enterprises throughout the country, either in the number of enterprises, the number of workers, or the quantity of fixed assets.

In our opinion, whether the state-owned enterprises should be further developed at the county level in the future is a big issue, both in theory and in practice, for us to conscientiously study and explore. Most of the state-owned enterprises in counties (cities) are medium and small enterprises. According to the guideline from the Third Plenary Session of the 14th CPC Central Committee, the medium and small enterprises which are not suitable to be owned by the state are mainly small enterprises. They can be contracted, leased, sold, or changed into nonstate-owned enterprises or enterprises which are not under the public ownership system. This is permissible and helpful but it should also be done cautiously and steadily. Generally speaking, we believe that the question as to whether or not the great majority of the state-owned enterprises in counties (cities), or even all of them, should be changed into enterprises which are not under the public ownership system, or other forms of publicly owned enterprises, needs further study. Under China's current situation, will the practice of encouraging the state-owned enterprises in counties (cities) to change into enterprises which are not under public ownership result in further and greater losses of state-owned assets or even affect the development of the county-level economy? If we make full use of the superior position of the state-owned enterprises in counties (cities) and only change some of them into enterprises under other forms of public ownership, such as county-level or regional publicly owned enterprises and share cooperative enterprises [gu fen he zuo qi ye 5140 0118 0678 0155 0120 2814], will it be more conducive to

county-level economic development? All these issues have yet to be further explored and studied in practice. China has a vast expanse of land and its economic development is very uneven. The development of state-owned enterprises in counties (cities) also varies from place to place because of their different environments and different levels of economic development. We must be sure not to blindly impose uniformity on them.

IX. The Issue of State-Owned Enterprises Going Bankrupt

In order to intensify reform of the state-owned enterprises, it is necessary to establish a normal mechanism for bankruptcy, so that the superior state-owned enterprises will win and the inferior ones will be eliminated in market competition. This is very helpful and necessary to promoting the rational readjustment of enterprise organization and industrial structure, reorganizing the state-owned assets, reinvigorating the enterprises, increasing the overall returns of state-owned enterprises, and reducing the burden on the state. It is also an important task in enterprise reform, to which we should attach sufficient importance. At the same time, when practicing the mechanism of enterprise bankruptcy, we must also pay attention to the following points.

First, it is necessary to be cautious while actively carrying out experiments. At present, many state-owned enterprises are suffering losses and quite a few of them are on the verge of bankruptcy. If we allow too many enterprises to go bankrupt all at once, problems will occur in many fields concerning the lives, employment, and state of mind of the workers. If these matters are not handled well, they may affect social stability. Therefore, it is necessary to proceed from the overall situation and take social stability and other factors into comprehensive consideration so that the work can be carried out steadily.

Second, the process of going bankrupt should be coordinated with relevant reforms in various fields. As bankruptcy, especially the bankruptcy of large enterprises, concerns many economic, legal, and social problems in a wide range of fields, it is restricted by many conditions in practice. Therefore, it is necessary to create some coordinated conditions. It is necessary to speed up reform of the social insurance system and establish and perfect the relief system for the unemployed as soon as possible.

Third, it is necessary to make good arrangements for relocating the workers from the bankrupt enterprises. Apart from an appropriate arrangement for their basic livelihood, it is also necessary to improve the training system for workers who have changed their work posts and to create new employment opportunities. It is necessary to encourage them to find jobs through their own efforts and develop job-introduction service institutions so that the workers from the bankrupt enterprises can find a new way out and gain new hopes.

Fourth, it is necessary to protect the rights and interests of the creditors and prevent the loss of the state-owned

assets. In the process of bankruptcy, it is necessary to prevent the phenomenon of declaring bankruptcy in order to evade debts and the phenomenon of excessive distribution of the enterprise assets, which are then turned into cash, among the workers. Although making arrangements for the workers before paying off debts is a normal procedure in bankruptcy and clearing off debts, which conforms to China's national conditions, it is improper to distribute all the cash funds among the workers. There are already symptoms of these two deviations, which should arouse our serious attention.

Fifth, large state-owned enterprises should not go bankrupt easily; it is necessary to consolidate and reorganize them through a bankruptcy protection procedure. In this way, the shocks to society can be reduced or avoided and there will be a greater pressure on the enterprises, the administrative and managing personnel of the enterprises, and the vast numbers of workers, so that enterprise administration and management can be improved.

X. The Position and Roles of Entrepreneurs and Reliance on the Working Class

The practice in reform of the state-owned enterprises fully proves that the development of enterprises and the increase in their economic returns are both directly and closely related with the decisionmaking and management level of their managers. In a certain sense, enterprise managers often play a decisive role in the destiny of the enterprise. Only by bringing up large numbers of authoritative, capable, and high-quality modern entrepreneurs can the development of the socialist market economy be vivid and dramatic.

At present, there are still problems in the state-owned enterprises. First, the problem of lacking outstanding entrepreneurs who have a good knowledge about the market economy. Second, the problem of lacking a competition mechanism. As a result, capable people are unable to take important positions and the incompetent still remain at their posts. Third, the problem of lacking an encouragement mechanism. Although the entrepreneurs who are shouldering heavy responsibilities have made great contributions, they are not rewarded and their enthusiasm is thus dampened. Fourth, the problem of an ineffective leadership structure and the unclarified powers and responsibilities of entrepreneurs. As there are many restrictions around them, they are unable to concentrate their energy on improving enterprise management and operation. Fifth, the problem of an imperfect supervisory mechanism. The nominal wages of the managers are not high but, on the other hand, there are quite a few phenomena of practicing fraud and turning public funds into private gain, bringing about great losses and the waste of state-owned assets.

In order to intensify reform of the state-owned enterprises, it is necessary to resolve all these problems as soon as possible. It is necessary to establish, in a positive manner, an operation and management structure and an encouragement mechanism in state-owned enterprises in

accordance with the principle of unifying power, responsibility, and benefit and the laws of the market economy. It is necessary to fully mobilize and give full play to the initiative of entrepreneurs.

The broad masses of workers are the masters of state-owned enterprises. It is necessary to rely on the working class wholeheartedly and give play to the spirit of the workers as the masters of their houses. This is decided by the nature, position, and role of the state-owned enterprises and an important part of the party's line, which we have always emphasized. Whatever reforms have been carried out in the enterprises, and whatever systems have been established, we must steadfastly adhere to this principle because it is an important expression of the superiority of the socialist enterprises and an important guarantee for the establishment of a socialist market economy structure.

In changing the operational mechanism of enterprises and creating and establishing a modern enterprise system, it is necessary to pay attention to cultivating a sense of participation among the masses of workers and creating a concentrated atmosphere of democratic management. It is necessary to develop vigorously the activities of rational proposals and technological innovations and further improve the enterprises' internal distribution system so that the great latent creativity of the masses of workers can be aroused and brought into play.

The broad masses of workers are the main force of enterprise reform and also the main participants. The interests of workers coincide with reform. Without the support and participation of the workers, no reform can succeed. It is necessary to protect the just rights and interests of workers in the course of reform. It is necessary to continue to carry out painstaking ideological and political work and encourage the broad masses of workers to enthusiastically throw themselves into enterprise reform. At the same time, it is necessary to take their immediate interests into full consideration and resolve their difficulties so that reform of the state-owned enterprises can be pushed forward smoothly.

Finance & Banking

Four New Finance Laws To Be Promulgated

*OW1502082095 Beijing XINHUA in English
0736 GMT 15 Feb 95*

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—Four new finance laws are expected to be passed in the first half of this year, according to a central bank official.

They are the Law of the People's Bank of China (PBC), the Commercial Bank Law, the Receipt Law and the Insurance Law, said Wei Shenghong, director of the Treaty and Law Department of the PBC.

"All the four laws are likely to be enacted in the first half of this year after being approved by the National People's Congress (NPC)," Wei said.

The NPC is China's highest legislature.

Wei also said that the drafts of the four laws have already gone through repeated revisions and deliberations.

To improve the PBC Law and the Commercial Bank Law and make them more workable, the PBC will promulgate detailed rules and regulations on the implementation of the two laws, the official said.

He revealed that six laws and regulations, such as those on loans, cash, and buying and selling foreign exchange, will also be revised this year.

Also this year, China will draft nine regulations, including ones on mortgages, trusts and lottery tickets, Wei said.

"These efforts will enable us to set up the basic framework of a sound financial system," the PBC official said.

Sources here said that this month the standing committee of the eighth NPC will discuss several draft laws, including a draft decision on punishing violators of the Corporation Law, the draft Guarantee Law, the draft Receipt Law and the draft Insurance Law.

Li Zemin, Wan Xueyuan at Zhejiang Financial Meeting

OW1502111195 Hangzhou Zhejiang People's Radio Network in Mandarin 1000 GMT 14 Feb 95

[From the "Provincial News Hookup" program]

[FBIS Translated Text] On 14 February, a provincial financial work meeting closed in Hangzhou. Li Zemin, provincial party committee secretary, and Governor Wan Xueyuan delivered important speeches at the meeting. Executive Vice Governor Chai Songyue made a report. The meeting fully affirmed the contributions made by Zhejiang's financial department to the province's reform, opening up, economic construction, and social stability last year. It analyzed Zhejiang's current economic and financial situation, and set general demands for the province's financial work.

Chai Songyue pointed out at the meeting: Resolutely curbing inflation is in the overall interest of the whole party and the whole country and in conformity with Zhejiang's realities. For this reason, the financial department should enhance its sense of responsibility for curbing inflation. Attention should be paid to three specific things. First, it is necessary to strictly enforce a moderate to tight money supply policy, and give full play to the macroeconomic regulation and control role of banking. In view of Zhejiang's realities, we should control the extension of loans for low-standard, duplicated construction projects, and unauthorized, less important construction projects; we should control the extension of any unreasonable loans for circulating funds; and we should ensure that what should be controlled is effectively controlled and what should be developed receive our financial support.

Chai Songyue said: We should strive to increase the supply of essential goods and actively alleviate the imbalance between supply and demand and curb inflation. The financial department should try in every possible way to attract and increase savings accounts, and should particularly do a good job in this regard this year. At the same time, it should let the money market perform its functions fully, broaden the channels of capital flow, and provide the funds for the increase of the supply of essential goods. Moreover, it should make proper and flexible use of the scale of credit, do a good job in the management of the proportions of assets and liabilities, put limited funds to effective use, and accelerate their turnover.

Chai Songyue said: An important way to increase the supply of essential goods is to increase investment in their production. To make progress in agriculture is the economic task of prime importance this year. The financial department should vigorously support the task with bank loans and continue to guarantee a timely and adequate supply of funds for the state purchase of agricultural and sideline products, so that no IOU's will be issued. While supporting the circulation of agricultural products, it is necessary to gradually extend support to agricultural production and agricultural development and make contributions to stabilizing and developing Zhejiang's agriculture. As for circulating funds for industry, the financial department should earnestly guarantee the supply of funds to meet the normal operational needs of those enterprises of good economic efficiency, of which the products sell well in the market; give higher priority to supporting those foreign trade enterprises that earn large amounts of foreign exchange in export trade; and support the development of an open economy in the province.

Chai Songyue emphasized: It is necessary to continue to improve financial management, and particularly to improve the management of cash and the management and supervision of wage funds. Financial organs should pay more attention to examining cash payments, particularly ones involving large amounts. It is necessary to resolutely stop the irregularities of indiscriminately issuing bonuses, either in cash or in kind, and expanding institutional consumption at will.

Foreign Trade & Investment

Copyright Group Notes Progress in Crackdown on Piracy

OW1502000995 Beijing XINHUA Domestic Service in Chinese 0921 GMT 14 Feb 95

[By reporter Qu Zhihong (2575 1807 4767)]

[FBIS Translated Text] Beijing, 14 Feb (XINHUA)— It has been learned from the State Copyright Administration [SCA] that localities across the country have further intensified the crackdown on piracy in the new year, implementing the crackdown with perseverance as an

important step for protecting intellectual property rights [IPR] and greatly advancing the development of a buoyant and clean cultural market.

According to a briefing, to intensify the crackdown, five central departments, including the SCA, the China Press and Publications Administration, Ministry of Culture, State Administration of Industry and Commerce, and General Administration of Customs issued a "Joint Circular on Concentrating Our Forces in Cracking Down on Piracy of CD's and Laser Discs" on 13 January. Following the issuance of the circular, the provinces, autonomous regions, municipalities directly under the central government, cities with provincial-level decision-making authority and relevant departments across the country immediately unfolded a crackdown. Beijing, Liaoning, Henan, Tianjin, Jiangsu, and Sichuan, which were well prepared and placed relatively greater efforts in implementing the crackdown, swung into action quickly and on a big scale with great success. Beijing municipality started preparations on the day it received the directive and personnel were sent to inspect the cultural market the next day. Liaoning and Henan provinces carried out sweeping, province-wide inspection of piracy. In Liaoning, a deputy mayor has been assigned in each city to organize the inspections, thus comprehensively intensifying the crackdown. The localities have achieved initial success in the crackdown to date. According to statistics of 23 provinces, autonomous regions, municipalities, in the two weeks or so between 13 January and the Spring Festival, 357,400 pirated audio-video cassettes and discs were seized, of which 75,000 were CD's.

The State Council has sent two IPR inspection groups composed mainly of SCA personnel to Guangdong and Jiangsu to supervise and speed up the fulfillment of tasks assigned the two provinces and to carry out law-enforcement inspections of some CD production lines there. Regarding the illegal wholesale of pirated CD's by Zhuhai Longyi Video Music Co., the inspection groups have urged the relevant Zhuhai City authorities to impose administrative penalty, including revocation of its business license, and are considering punishment for other infringing units in accordance with law. Moreover, the Supreme People's Procuratorate has sent an investigation group to Guangdong to investigate the "28 September" case involving sale of pirated products at Rixing Market. Progress has been made in the investigation of this case.

Shanghai Courts Process 225 IPR Cases in Past Year

HK1502114695 Hong Kong WEN WEI PO in Chinese
12 Feb 95 p a3

[Report: "IPR Division of Shanghai Court Handles Over 200 Cases in a Year"]

[FBIS Translated Text] Shanghai, 11 Feb (WEN WEI PO)—China is increasingly strengthening the judicial

protection of intellectual property rights [IPR]. This reporter learned from a news briefing today marking the first anniversary of the establishment of the IPR Adjudication Divisions of the Shanghai Higher and Intermediate People's Courts that since last February, when the Shanghai higher and intermediate courts set up the adjudication divisions, the Pudong New Area Court has also set up an IPR adjudication division, while other law courts have established collegiate benches adjudicating IPR cases. Over the past year, Shanghai courts have processed in the first instance 225 IPR cases of various types and concluded 204 of them.

This reporter learned that since the Shanghai Higher and Intermediate People's Courts set up the IPR Adjudication Divisions, a high proportion of IPR cases have involved foreign parties and parties from Hong Kong, Macao, and Taiwan. According to Chen Xu, chief of the IPR Adjudication Division of the Shanghai intermediate court, of the 81 IPR cases processed by the division, 12, or 14.8 percent of the total, have involved foreign parties, including those from Hong Kong, Macao, and Taiwan.

Shanghai Cracks Down on Counterfeit Goods

OW1402120595 Beijing XINHUA Domestic Service
in Chinese 0420 GMT 14 Feb 95

[By correspondent Leng Enguang (0397 1869 0342) and reporter Li Zhenghong (0632 2973 1347)]

[FBIS Translated Text] Shanghai, 14 Feb (XINHUA)—As of 1630 yesterday afternoon, 30,000 bottles of fake liquor; 1,500 cartons of fake cigarettes; some 1,000 counterfeit audio and video products; and a batch of shoddy garments, food, and goods for daily use had been uncovered in Shanghai markets.

This is the first large-scale campaign to crack down on counterfeit goods launched in Shanghai since the beginning of this year. The result of an inspection conducted by the industry and commerce administration and other law-enforcement departments of some 800 stores and commercial outlets throughout the municipality shows that the circulation order in Shanghai's markets is generally good; and that state-owned and collective commerce, in particular, have followed standard operations. The overwhelming majority of counterfeit goods were seized from commercial enterprises run by individuals or communities.

According to a briefing by Chen Haigang, deputy director of the municipal administration for industry and commerce, this year's first campaign will focus on cracking down on the manufacturing and marketing of fake and shoddy goods—mainly the daily necessities of the broad masses of people, including food, garments, shoes, cigarettes, and liquor—in shopping streets, trade fair markets, stations, and piers in urban and rural areas throughout the municipality.

All law-enforcement departments have pledged to track down counterfeit goods, and especially to investigate and punish the manufacturers of counterfeit goods through various circulation links to stop the source of counterfeits.

Editor Describes 'Anarchy,' Piracy in Guangdong

HK1402064495 Hong Kong HONGKONG STANDARD
in English 14 Feb 95 p 15

[Article from the "Opinion" page by China editor Cary Huang: "A Messy Business on the Mainland"]

[FBIS Transcribed Text] During the recent Lunar New Year holidays spent in an eastern Guangdong city, I witnessed several instances that highlighted how serious anarchy was in China during its transition from a planned to a free market economy. The people, as well as the officials that I met and the places I visited during the week-long holiday, convinced me that the country's speedy economic development has been accompanied by the absence of the rule of law.

Not only will this be a major hurdle to the leadership's efforts at establishing a market-oriented economy, it will also be the chief threat to 45 years of communist rule in China. Not only pirated goods of brand name items, both foreign and home-made, are available at every shopping arcade and every hawker's stall, the business of printing counterfeit trademarks and the churning out of pirated produce has been booming in recent years despite repeated calls by Beijing for a nation-wide clampdown.

A counterfeit trademark printer told me he was even more willing to challenge the laws and regulations after he was detained for weeks and fined for these activities, because he now knows that only through bribery can one come under the protective umbrella of government agencies instead of becoming a target of the clampdown.

The counterfeiter was detained for his activities but was released on payment of a 50,000 yuan (HK\$45,000) fine and another 50,000 yuan to officials in charge. The man said he felt safer now and would be more aggressive than ever in churning out such goods because it would only cost his business about 100,000 yuan. The best way to offset the additional cost of bribery was to double production, he said, adding that this was common practice in his home town. **More capitalist**

Local friends convinced me that the eastern city was more capitalist than any city in the world because anything dubbed capitalist—from gambling to nude shows to prostitution—could be found there. But when I was shown into a casino-nightclub complex in a small town, I was told the establishment was closed temporarily because of a showdown the night before between the town's government-run business and the armed municipal police.

Local people said dozens of the riot policemen were bitten and disarmed when they raided the complex and asked the establishment to pay a fine of up to one million yuan. The business is protected by a contingent of local militia and local officials said they had ordered the assault on the policemen because they believed the riot police were not assigned to such duty and that the raid was purely for blackmail purposes.

Local people say corruption is so rampant that almost all government agencies and officials are trading off their power for personal gain. Anything can be sold in the markets. Certificates for education and for professional qualifications, licences for car owners and drivers, permits to have an additional child, which is strictly banned under the government's one-child policy, and even mercy to criminals and early release for prisoners, can be bought through middlemen.

As Beijing and Washington inch closer to a trade war over China's infringement of intellectual property rights, China has dismissed US accusations that the mainland is a bustling centre for piracy and claimed the leadership strongly supported effective enforcement of China's own laws and harsh penalties for various violations in its process to embrace a market economy.

But rampant corruption and piracy underline the fact that Beijing has not yet gotten sufficiently serious about legal rights and the rule of law. It is time for the leadership to be serious. China itself needs those rights for reasons that are a lot more important than the complaints it is getting from foreign countries and investors. The communist leaders should understand that, without them, China's own development and its ambitious reform program will be held back and communist rule will eventually end one day.

Three Gorges Area Attracts More Overseas Investors

OW1502101295 Beijing XINHUA in English
0936 GMT 15 Feb 95

[FBIS Transcribed Text] Yichang, February 15 (XINHUA)—Foreign businessmen have been increasingly investing in this city in central China's Hubei Province since the gigantic Three Gorges water-control and power project kicked off nearby last December.

Last year 131 overseas-funded firms were established in the city, raising the number of such firms to 501 and providing a combined investment of 1.3 billion US dollars.

The investors are from 19 countries and regions, such as the United States, Canada, Britain, Japan, Hong Kong and Taiwan.

They have been attracted by the abundant hydropower, forestry and tourism resources of the city, local government officials said.

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Located 50 km from the construction site of the Three Gorges project on the Chang Jiang River, Yichang boasts hydropower reserves of up to 30 million kw.

Today, two power stations—the Gezhouba Power Station, China's biggest, and the Geheyan Power Station on the Qinghe River—have been built there.

With the completion of the Three Gorges project in 18 years time, the city expects to become the largest hydropower center in the world, officials said.

The local government has outlined an ambitious five-year plan to use three billion US dollars of foreign investment and build 3,000 foreign-funded firms.

To encourage foreign investors, especially overseas consortiums and multinational corporations, the local government has offered preferential policies to foreign-funded firms and is improving the local investment environment.

During the past few years the city has launched 12 economic and technological development zones with improved infrastructures.

So far, the city has invested 2.8 billion yuan in these zones, with 380 projects completed and another 180 under construction.

Tianjin State Farm Benefits From Foreign Funds

OW1502081595 Beijing XINHUA in English
0759 GMT 15 Feb 95

[FBIS Transcribed Text] Tianjin, January 15 (XINHUA)—Foreign investment and technology have helped the state farm in this north China's port city become one of the biggest local sources of tax revenue.

A local government report shows that the state farm made 82 million yuan in taxes and profits last year, the gross product topping 950 million yuan.

This unit also earns a total of 12 million U.S. dollars annually in foreign exchange from exporting food, alcoholic beverages, vegetables and chemicals.

Foreign investment and technology has been playing an important role in the development of the state farm, which has expanded from planting and stock-raising into the processing industry during the past decade.

As early as 1980, the state farm set up the city's first joint venture—the Dynasty Wine Corporation, with investment from the French consortium Remy Martin (Far East). The corporation now exports 2.8 million U.S. dollars-worth of wine annually.

To date, the state farm has set up 72 overseas-funded ventures, involving a combined investment of 87 million U.S. dollars, including 54.5 million U.S. dollars in foreign funds.

These joint ventures netted a combined 78 million yuan in profits and contributed 33 million yuan in taxes to the state last year.

Meanwhile, the state farm has also begun to invest abroad. Apart from a jointly funded farm in Venezuela between the state farm and the Tianjin Foreign Trade Corporation, it has opened a dozen trading corporations in a number of countries and regions, including the U.S., Russia, Japan and Australia.

'Limited Entry' To Attract Foreign Capital to Telecoms

HK1502060895 Hong Kong SOUTH CHINA
MORNING POST (BUSINESS POST) in English
15 Feb 95 p 4

[By Rowena Tsang in Guangzhou]

[FBIS Transcribed Text] Foreign contractors are to be allowed limited entry into China's telecommunications network in a plan designed to attract overseas capital.

The opportunity comes through the proposed creation of joint ventures for construction projects put together by China United Telecommunications Corp, known in Chinese as Liantong.

It is only the second enterprise in the country with permission for a telecommunications network. It has established branches in Tianjin, Shanghai and Guangzhou. Officially, foreign participation in telecommunications is limited to the transfer of technology and the sale of equipment.

A new approach has been formulated by Liantong which was established by the Ministry of Railways, the Ministry of Power Industry and the Ministry of Electronics Industry last year.

The general manager of the corporation's Guangzhou branch, Luo Zhiyong, said foreign investors were invited to participate in the construction of the networks, which would form the foundations of the company's business. He said interested parties were invited to form a construction joint venture with the Guangzhou South China Telecommunications Investment Corp, a shareholder of Liantong's Guangzhou branch. The network would be rented to Liantong Guangzhou branch after its completion, and in return the foreign partner would be given a certain portion of profit guarantee by the corporation.

"The ratio of profit returns will be discussed in each project, but after certain period of time, the network should be solely owned by the corporation through a transfer of property rights," Mr Luo said.

This opens a new door for Western telecommunications giants such as France's Alcatel, Germany's Siemens, Japan's NEC and America's AT&T and Motorola, all eager to expand their involvement in China's infant telecommunications industry.

With the Beijing headquarters as the only "legal person" or official shareholder involved, the Guangzhou branch of Liantong has no right to enter into agreements over investment projects. Part of the capital would come from Beijing, and then individuals would discuss each project, according to Mr Luo.

He said to harmonise the interests of the enterprises under the Posts and Telecommunications Administration (PTA) and Liantong, the government has recently set up a consultation committee to solve the problem of allocation of sources. The PTA remains an administrative body, which lays down rules to the telecommunications enterprises within its system. Although not denying that the dominant role of PTA in the telecommunications market has prevented the development of the market, Mr Luo found there was room for growth, both in terms of expansion of the networks and improvement of the services.

"The enlargement of Guangzhou to a distance of 550 miles from 180 miles has provided an opportunity for the telecommunications expansion," Mr Luo said.

The Guangzhou company plans to complete the construction of mobile telephone and city telephone networks in three years, with an expected investment of 300 million yuan (about HK\$274.8 million) for each project. About 20,000 digital mobile telephones will be developed in the first phase of development, and the target set for the end of this year is 50,000. In total, 450,000 digital mobile telephones are planned to be introduced in five years. About 100,000 city telephone lines are to be installed this year and 3.9 million lines covering the Guangdong province will be the target for the coming five years. Other development plans include construction of "intelligent buildings" along the route of underground railway, long distance telephone lines and pager services.

Mr Luo said the corporation planned to develop a national network for its pager roaming service by linking up the specialised telecommunications networks of the Ministries of Railways and Power Industry. Although based in Guangzhou, the branch would look for business development for the whole province, Mr Luo said.

Commentator's Article on China's Tourism

HK1502071695 Beijing RENMIN RIBAO in Chinese
2 Feb 95 p 1

[Commentator's article: "Support This Morning Sun—Congratulating China's Tourism on Topping \$7 Billion in Foreign Exchange Earnings"]

[FBIS Translated Text] Sixteen years ago, Comrade Deng Xiaoping established a magnificent goal for China's tourism: Strive to earn \$5 billion in foreign exchange. Today, the dream has come true. China's tourism in 1994 topped \$7 billion! Here, we cordially congratulate comrades on the tourism front!

Since reform and opening up, China's tourism has developed with astonishing speed. Compared with other foreign-oriented industries, tourism has the special advantage of earning large amounts of foreign exchange at a low cost. At present, it contributes to nearly 30 percent of China's total nontrade foreign exchange income and China's foreign exchange income from tourism rose from 41st place in the world in 1978 to 15th place in 1993. Tourism is no longer an embellishment to our dealings with foreign countries but is a sunrise industry with a bright future.

Over the past dozen years or more, tourism has played an increasingly obvious role in national economic and social development. First, it has recovered large amounts of currency from circulation and reduced market pressure. Between 1985 and 1993, domestic tourism recovered a total of 214.7 billion yuan from circulation. Second, it has absorbed a vast work force. Tourism workers across the country number nearly 2.5 million. Third, it has optimized the allocation of resources and invigorated the local economy. Some of the early liberated, minority nationality-inhabited, border, and poor areas in particular, are beginning to eradicate poverty by taking tourism as their pillar or leading industry. Fourth, it has improved the industrial structure and caused the development of numerous related services and industries such as communications, telecommunications, urban development, commerce, and trade.

As a big "window," tourism has positively contributed to the promotion of reform and opening up and to the expansion of dealings with the outside world. Tourism is a product of modern civilization as well as the embodiment of the degree of civilization of a country. Tourism is a product of a country's opening to the outside world as well as the embodiment of the level of opening of the country to the outside world. Precisely by coming to visit China, many overseas people have acquired an in-depth understanding of China and its policy of reform and opening up. Moreover, the continuous "inflow of travelers" from around the world has brought all "information inflows" in the economic and technological spheres. Moreover, with "tourism and trade bridging the gap" in all localities, the inflow has ultimately become a "capital inflow." Facts prove that a place well opened to the outside world is developing tourism quickly and that a place whose tourism is well developed makes great strides in its opening up and in the absorption of foreign capital. Between 1978 and 1993, China received a total of 314 million overseas travelers and tourism actually utilized \$7 billion in foreign capital during the same period.

At present, China's tourism already possesses some industrial size and has formed a system of productive forces integrating "touring, sightseeing, lodging, shopping, and entertaining." Moreover, there is now the new trend that overseas travelers visit China, domestic tourists visit other parts of China and domestic tourists also visit other countries. China is becoming one of the major

tourist destinations in the world but, since its late debut and low grounding, there is still a comparatively large gap between China's tourism and tourism in developed countries around the world and this is very incompatible with China's status as a "country with vast tourist resources."

Comrade Deng Xiaoping has repeatedly stressed: "Tourism has great potential. It is necessary to pay special attention to and quicken its development." China possesses world-recognized and first-rate tourist resources. Its long history, splendid culture, and precious and rich natural landscape and human specialties constitute an exceptional advantage in terms of resources which are yearned for by travelers from around the world. However, in order to change the potential into reality as much as possible, we should take quicker steps and we also need to continue the strategy of "appropriately" developing tourism "ahead of others," namely maintaining a higher growth rate for tourism than the average growth rate of the GNP. Only by doing so can we catch up with the world's advanced level at an early date.

Tourism is a comprehensive industry. The work in the various respects is very difficult to coordinate and changes in the situation also set an increasingly high demand on it. This increasingly needs the understanding and support of all circles in society and demands that all localities and all departments continue to pay sufficient attention to tourism and closely coordinate with one another and join hands in supporting the rising "morning sun," striving to achieve tourism's target of earning \$10 billion in foreign exchange by the end of this century and proudly place China in the ranks of countries whose tourism is well developed.

RENMIN RIBAO Hails '94 Tourism Results

HK1502071495 Beijing RENMIN RIBAO in Chinese
2 Feb 95 p 1

[Report: "China's Tourism Achieved More Good Results Last Year"]

[FBIS Translated Text] According to information supplied by the relevant quarters, China's international tourism achieved more good results in 1994 with 43.6845 million overseas travelers visiting China, up 5.2 percent over the previous year and overfulfilling the state plan by 6.5 percent. Of these travelers, foreigners numbered 5.1821 million, up 11.3 percent or overfulfilling the state plan by 3.6 percent. The state arranged for the reception of 7.6391 million overseas travelers, up 8.7 percent or overfulfilling the state plan by 6.1 percent. According to the State Statistical Bureau and the National Tourism Administration, calculated using the statistical method for international tourism endorsed by the World Tourism Organization, China's foreign exchange income from international tourism in 1994 came to a record \$7.323 billion, up 56.3 percent from 1993.

Of the overseas travelers in China in 1994, 5.1821 million were foreigners, 115,200 were Overseas Chinese, 36.9969 million were Hong Kong and Macao compatriots, and 1.3902 million were Taiwan compatriots. Of these travelers, 10.6646 million stayed overnight and 33.0199 million stayed for a day.

Travelers from all continents generally increased in 1994. Those from Asia rose by over 30 percent, those from America by 10 percent, those from Europe by 10 percent, and those from Oceania by 6.8 percent. Japanese travelers to China numbered 1.1412 million, up 25.1 percent over the previous year; American travelers numbered 469,900, up 17.5 percent over the previous year; ROK travelers numbered 340,300, up 79.2 percent over the previous year; and the numbers of travelers from Singapore, the Philippines, Britain, Thailand, Germany, Indonesia, Canada, Australia, and other major countries also rose.

While international tourism is developing in a sustained and speedy way, China's domestic tourism has also developed considerably over the past year. Following the development of China's economy and the rise in the people's living standards, increased tourist activity has entered all households. According to a sample survey of domestic tourism conducted by the Urban and Rural Areas General Survey Team of the National Tourism Administration during the first half of last year, the National Tourism Administration calculated that domestic travelers throughout the country in 1994 could number 450 million, income from domestic tourism could reach 95 billion yuan, and that the direct income from China's international and domestic tourism in 1994 could reach 160 billion yuan. Tourism has newly emerged as an important industry in China.

Agriculture

Commentator on Enhancing Disaster Preparedness

HK1502114095 Beijing RENMIN RIBAO in Chinese
13 Feb 95 p 1

[Commentator's article: "Enhancing Ability To Resist Natural Disasters—Fourth Discussion on Fully Enhancing Comprehensive Agricultural Productivity"]

[FBIS Translated Text] Between now and the end of this century, our country's agriculture must be raised to a new stage. The output of grain alone has to be increased by another 50 billion kg. To achieve this objective, we need to rely on the joint effects of various comprehensive factors, and an important link among them is to enhance agriculture's ability to resist natural disasters.

China is a large country, with vast territory and a huge population; at the same time, it is also a country that frequently experiences various kinds of natural disasters. Drought and floods occur every year to varying degrees, and disasters caused by typhoons, low temperatures,

frost, and insect pests also happen frequently. Such frequent natural disasters cause serious economic losses every year. Last year, drought and floods reduced grain output by over 10 billion kg. Statistics show that in the more than 40 years since the founding of the PRC, direct and indirect economic losses caused by natural disasters accounted for about one-fifth of GNP. Natural disasters have become a major constraint on the development of agriculture in our country, and even of the national economy as a whole.

China's agricultural productivity is closely linked with its capacity to resist natural disasters. If disaster-resisting capacity is not strong enough, it will never be possible to enhance comprehensive agricultural productivity. As a popular saying goes, "when the enemy troops come, the general can resist them; when the floods come, earth can resist them." To enhance agriculture's disaster-resisting capacity, we first should enhance the capacity to resist droughts and floods. Among many factors affecting the stable development of agricultural production in our country, floods and droughts are the most important, as they happen almost every year. Floods or droughts may destroy a soon-to-be-reaped bumper harvest. It is obvious that the shortage of irrigation and drainage facilities, and of other water control works, as well as the imperfection of existing irrigation and drainage systems on farm land, have caused low and unstable yields in many areas. For a period of time to come, the central and local authorities all should make great efforts to build water conservancy projects and irrigation-drainage works.

Throughout history, when the country was in a stable and peaceful political situation, there was a certain upsurge of water conservancy and irrigation works; the development of water conservancy and irrigation facilities, in turn, promoted socioeconomic development and the enhancement of productivity, and promoted the Chinese nation's progress and the development of the Chinese civilization. Since the beginning of reform and opening up, our country has entered a hitherto unseen period of stable and rapid development, and industrial and agricultural production, as well as social undertakings in all fields have been developing vigorously. Both the needs and the possibilities show that now is the best time for the whole country to go all-out in building water conservancy and irrigation works, and in promoting construction in this field to a new stage.

To build the "hardware" facilities for strengthening agriculture's disaster-resisting capacity, we first must increase input into this facet; otherwise, everything will be just empty talk. Since the founding of the PRC, great results have been achieved in the construction of water conservancy and irrigation facilities. We have built more than 80,000 reservoirs, increased the irrigated area from 240 million mu to 720 million mu, opened flood outlets for the Huai He and the Hai He, and basically built up a flood-resisting system on all major rivers. However, we also should soberly note that generally speaking, the level

of agricultural disaster-resisting "hardware" construction is still far from meeting actual needs in the development of agriculture as the foundation of the national economy. A large number of projects have been out of repair for a long time, and their disaster-preventing capacity has decreased. In northern China, the shortage of water resources is getting more and more serious, and the pace of the new projects is obviously slower than that of economic development. Leaders in various areas and at various levels must give really serious consideration to the issue of enhancing agriculture's drought- and flood-resisting capacity, and take this as an important aspect of agricultural development. Action must be taken, and the input of funds, materials, manpower, and technology into the construction of "hardware" should be made. First, it is necessary to properly plan and arrange the projects of harnessing the major rivers all over the country according to requirements of modernization. At the same time, the masses should be effectively organized and guided to harness and control local rivers, and to construct backup water conservancy facilities.

While constructing a number of water conservancy facilities, it is also necessary to develop forest construction, protect the environment, and control the spread of industrial pollution and predatory development in order to reduce the occurrence of various disasters. The destruction of the environment is another major factor that either causes or aggravates natural disasters. The more developed the economy, the more necessary it is to attach importance to the work of environmental protection, and to adopt the idea of developing the economy on the basis of protecting the environment. Peasants should be advised to increase their sense of environmental protection and of preventing natural disasters. Effective measures should be adopted to check deforestation and predatory rural operations. Peasants should be encouraged to protect and foster the fertility of their land. It is also necessary to greatly develop rural disaster-insurance undertakings.

Increasing agriculture's capacity to resist natural disasters is a comprehensive task involving many departments, such as the water resources, forestry, agriculture, meteorological, civil affairs, and monetary departments. They should cooperate with each other, support each other, and make concerted efforts. All departments concerned should consider and serve the overall interests and should work together with one heart and one mind, jointly making contributions to the sustained and stable development of agriculture by increasing its disaster-resisting capacity in our country.

Fujian Farmers Reportedly See Rising Incomes in '94

HK1502054295 Beijing ZHONGGUO XINWEN SHE
in English 1234 GMT 14 Feb 95

[FBIS Transcribed Text] Fuzhou, February 14 (CNS)- Last year, the net per capita income of farmers in Fujian Province was RMB [renminbi] 1,500, which had

increased by 4 percent compared with the year before, taking into account the inflation factor.

Last year, there were many disasters in Fujian, including rainstorms, typhoons and floods, so agricultural production there was seriously affected. However, there was still a good agricultural harvest in Fujian with joint efforts of the government and farmers in the Province. The rural economy in the Province developed in an overall way. The total output value of agriculture was RMB 48 billion and that earned by township enterprises RMB 155.3 billion. Both had an evident growth compared with the year before.

The latest statistical data shows that last year, the net per capita income of farmers in 69 counties and cities in the Province was over RMB 1,000, 10 of which had an

income over RMB 2,000 per person. The net income of farmers in Jinjiang and Shishi cities reached RMB 3,358 per person, ranking first in the whole province.

In Fujian, the net income of farmers in the southeast coastal opening counties and cities was relatively higher. The net income of farmers in rural areas in Fuzhou was RMB 2840 per person, while that of farmers in rural areas in Xiamen reached RMB 2560, which were the second and third in the whole province respectively.

The statistics also show that last year, there were 13 counties and cities in Fujian with a net income of farmers below RMB 1,300, 18.8 percent of the total in the Province. These counties are mainly distributed in the northeast and west of Fujian, with poor natural conditions and weak basis for economic development.

East Region**Anhui Leaders Discuss Economic Development***OW1402121495 Hefei Anhui People's Radio Network
in Mandarin 1100 GMT 7 Feb 95**[From the "Provincial Hookup" program]*

[FBIS Translated Text] From 31 January to 3 February, Lu Rongjing, Hui Liangyu, and Ji Jiahong, secretary general and standing committee member of the provincial party committee, visited Maanshan, Wuhu, and other areas to spend the Spring Festival with local people and to inspect and give guidance to work. After hearing the work reports by leaders of Maanshan and Wuhu cities, the Maanshan Iron and Steel Company, Dangtu County, and Danyang Town, Lu Rongjing and his party fully affirmed their achievements in reform, opening up to the outside world, and economic construction scored in the past year, and also made important speeches on implementing the sixth provincial party congress guidelines and improving work performance in the new year.

Lu Rongjing pointed out: Our province has entered one of the best historical periods for development. All localities should further enhance their sense of urgency and duty. A top task at the moment is that party organizations at all levels and the masses of party members and cadres, leading bodies, and leading cadres in particular, should conscientiously study the sixth provincial party congress documents; think in compliance with the congress guidelines; be good at seizing, cherishing, and using opportunities; continue deepening reform; accelerate development; open up Anhui wider to the outside world; and concentrate on fostering pillar industries to vigorously promote economic and social development.

He pointed out: As Maanshan and Wuhu border Shanghai's Pudong Development Zone and developed areas along the coast in the east and the Three Gorges of the Chang Jiang in the west, they form an important area of Anhui's Man Jiang development and opening-up strategy. Therefore, being situated along the Chang Jiang and taking into consideration the country's opening up to the outside world, the two cities should map out rational development plans and create a better environment to attract foreign capital. With the spirit of unity and arduous work, they should organize people from all sectors to carry out, in line with the actual conditions in each locality, the objectives and tasks set by the sixth provincial party congress. There should be a responsibility system at every level, so the guidelines will be implemented fully. Efforts should be made to improve work in all fields each year and to achieve major progress in upgrading work performance in every few years. Efforts should also be made to speed up the task of building the two cities into modern ones along the Chang Jiang economic belt.

Hui Liangyu set specific requirements for improving work in the future: 1) Conscientiously studying and

implementing the sixth provincial party congress guidelines. He pointed out: The sixth provincial party congress report is derived from the integration of the guidelines of the Third and Fourth Plenary Sessions of the 14th CPC Central Committee with Anhui's reality. Putting into practice the provincial party congress guidelines means truly implementing the Central Committee's principles and policies. The report's grand objectives and strategic plans are programmatic documents of guidance for Anhui's reform and opening up to the outside world to the end of this century, and are also mobilization or appeal documents. Cadres at all levels should work hard to publicize and implement the provincial party congress guidelines; be clearly aware of the situation; unify their understanding; work energetically; seize the opportunity; and strive to do everything to accelerate the pace of reform, opening up to the outside world, and the modernization drive. 2) It is necessary to persist in making reform the motive force and in using reform to stimulate development. In practical work, it is necessary to meet the needs of developing a market economy, continue emancipating the mind, change concepts, and carry forward the spirit of seizing the hour and the minute. 3) It is imperative to open up wider to the outside world. Being situated at the forefront of development and opening up to the outside world, cities along the Chang Jiang should play the role of leading others and further improve the investment environment and use their regional advantages to attract more foreign capital, advanced technology, and management expertise. 4) It is essential to speed up structural readjustment. Cities along the Chang Jiang should use their strong points and advantages to vigorously develop gigantic pillar industries and enterprises, manufacture brand-name products, and play a role in leading others and spreading the brandname products. At the same time, it is necessary to develop large-scale enterprises of various types of ownership, ones that involve primary, secondary, tertiary, and fourth industries all over the province. Efforts should be made to make them promote and help one another. 5) It is imperative to further strengthen party building and give special attention to the building of leading bodies. A leader with outstanding ability should be able to mobilize the masses' initiative, enhance it, and protect it. When there is harmony among the people, all undertakings will flourish. This is good for the country, the people, and ourselves. We should keep the whole situation in mind, give first place to the party's cause and the people's interests, and make concerted efforts to do our work well.

Anhui Presses Ahead With Insurance Reform*OW1502071495 Beijing XINHUA in English
0646 GMT 15 Feb 95*

[FBIS Transcribed Text] Hefei, February 15 (XINHUA)—East China's Anhui Province is advancing steadily the reform of its social security system in combination with enterprise reform.

At present, the coverage of pension and unemployment insurance has extended from state- and collectively-run enterprises to foreign-funded, township and privately-run ones. The experiment in rural areas is also expanding.

Now 90 percent of the employees in state-run enterprises and 50 percent of those in collectively-run enterprises have taken out pension insurance policies. Some 82.7 percent of the employees of state-run enterprises and 16.8 percent of those of collectively-run enterprises have taken out unemployment insurance policies.

The provincial government set up a special committee last year to tackle the problems of people who find it hard to make ends meet. An overall housing reform has also started, involving 69 prefectures, cities and counties, and funded to the tune of 1.8 billion yuan.

In 1995 the province will further deepen the social security system reform, having worked out a series of measures, including the gradual expansion of pension and unemployment coverage until the employees in enterprises of all forms of ownership are covered.

Anhui Boosts Market-Oriented Economy

OW1502073795 Beijing XINHUA in English
0700 GMT 15 Feb 95

[FBIS Transcribed Text] Hefei, February 15 (XINHUA)—East China's Anhui Province has been exerting itself at building various markets as part of its efforts to boost the local market-oriented economy.

Markets in Anhui cover the sectors of commodities, labor force, personnel, property rights, and funds, local officials say.

Statistics show that trade markets in the province so far number 4158, 64 of which yielded a turnover of more than 50 million yuan each.

The Nanzhao Grain Wholesale Market handled 330 million kg. of grain last year, bringing a profit of 21 million yuan, and providing jobs for 25,000 local people.

A total of 18 poverty rights [as received] markets were established in the province. The newly-built Hefei Poverty Rights Exchange involves a total investment of nearly two million yuan, and is stepping up its computerization.

Meanwhile, the province has 604 personnel centers and over 2,600 intermediate market institutions.

Acting Governor Chairs Anhui Congress Plenum

OW1502054995 Hefei ANHUI RIBAO in Chinese
19 Jan 95 p 1

[By staff reporters Cheng Datong (4453 1129 6639) and Huang Lian Guangshe (7806 6647 1639 2378): "The Sixth Provincial Party Congress Holds Second Plenary Session"]

[FBIS Translated Excerpt] The Sixth Anhui Provincial CPC Congress held its second plenary session on the morning of 18 January, during which it heard a work report delivered by Comrade Chen Guanglin on behalf of the Anhui Provincial CPC Discipline Inspection Commission, and adopted the "Election Procedures" of the sixth Anhui provincial party congress.

The number of deputies who should have attended the session was 696, of which 31 took leave for personal reasons, leaving 665 deputies in attendance. This number was consistent with provisions regarding the convocation of meetings.

Comrade Hui Liangyu chaired the meeting.

Seated in the front row of the rostrum were the meeting's executive chairmen Hui Liangyu, Shao Ming, Lu Shengdao, Wu Changqi, Zhang Runxia, Long Nian, Wang Sheyun, Sun Qingrun, Wang Shiman [3076 4258 3341], Zhao Zhengyong, Fang Yiben, Qian Minggao, Chen Luxiang [7115 1462 4382], Zhong Yongshan, Bian Guofu [0593 0948 4395], He Yinghua, Liu Wei, and Gao Fuming.

The provincial discipline inspection commission's work report was divided into three parts: 1. A review of the main tasks over the past five years. 2. Basic experience gained in practice over the past five years. 3. Proposals for future work. [passage omitted]

The meeting adopted by a show of hands the "Election Procedures" of the sixth provincial party congress.

Jiangsu Village, Town Enterprises Increase Output

OW1502052495 Nanjing XINHUA RIBAO in Chinese
3 Feb 95 p 1

[Report by Zhang Congjun (1728 1783 6511): "Jiangsu's Village and Town Enterprises Increase Their Operational Quality and Efficiency; Annual Turnover Is 377.5 Billion Yuan and the Amount of Profits and Taxes Reaches 25.3 Billion Yuan, Which Represent an Increase of 27 Percent and 20 Percent, Respectively, Over the Same Period of 1993"]

[FBIS Translated Text] Having withstood the rigorous test of reform in five main domains, including finance, banking, taxation, and foreign exchange, Jiangsu's village and town enterprises have continued to increase their operational quality and efficiency. According to statistics, the total output value of Jiangsu's village and town enterprises reached 650 billion yuan in 1994. This figure includes 566.6 billion yuan from village industries, 377.56 billion yuan in business income, and 25.357 billion yuan in profits and taxes, which represent an increase of 38 percent, 27.28 percent, and 20.91 percent, respectively, over the same period of last year.

To adapt to the new situation of a socialist market economy, last year Jiangsu's village and town enterprises

accelerated reform of the system of property rights. More than 40,000 enterprises, about 40 percent of the total number of village enterprises, carried out various forms of reform, which involved over 50 billion yuan of assets. Over 20,000 shareholding cooperatives were either newly established or formed through the reorganization of village enterprises, with their fixed capital stock amounting to 19.1 billion yuan. Some 18,000 enterprises were leased out, merged, or auctioned, and this resulted in the transfer of 3 billion yuan of assets. A total of 594 enterprise groups at the provincial and city levels were established. The assets of the core enterprises amounted to 17.9 billion yuan. The reform of the property rights system has invigorated village and town enterprises. As a result, many towns or townships capable of large-scale industrial production and enterprises with annual output exceeding 100 million yuan have emerged. According to incomplete statistics, as of the end of last year, in the province there were more than 500 village or town enterprises with individual annual output capacity exceeding 100 million yuan and over 150 towns or townships with industrial output capacity exceeding 500 million yuan.

These village and town enterprises have become more export-oriented. In 1994, they delivered 93.67 billion yuan worth of products for export, up 49 percent over 1993. There were 1,200 enterprises with individual capacities of delivering over 10 million yuan worth of products for export. Last year, the province approved the establishment of 2,450 joint ventures, cooperative enterprises, and exclusively owned enterprises, the total contractual volume of which was \$2.8 billion. It also approved the establishment of 51 enterprises outside the province, whose total number has reached 311.

Economic efficiency has increased steadily as a result of tightening control over product quality and product costs. Last year, Jiangsu's village and town enterprises earned 11.727 billion in profit, up 13.3 percent. Their annual turnover was 300 billion yuan, and there were over 1,000 enterprises whose profits and taxes delivered to the state exceeded 3 million yuan.

Jiangsu Holds Meeting on Grass-Roots Bodies

OW1402121195 Nanjing Jiangsu People's Radio
Network in Mandarin 2300 GMT 10 Feb 95

[From the "702 Morning News" program]

[FBIS Translated Text] The provincial party committee held a meeting on rural grass-roots organizations to study and plan work for strengthening rural grass-roots organizations under the new situation. (Liang Baohua), secretary general of the provincial party committee standing committee, chaired the meeting yesterday. Xu Zhonglin, provincial party committee deputy secretary, delivered a report.

Xu Zhonglin noted: Strengthening rural grass-roots organizations, with party organizations as the core, is an

important and basic part of the great undertaking of party building during the new period. In carrying out work regarding rural areas, party committees at all levels must address crucial issues and devote great efforts to strengthening rural grass-roots organizations. They should give full rein to the grass-roots party organizations' role as the leading core and fighting bastion in promoting material and spiritual civilizations in rural areas.

Xu Zhonglin said: At present, the party's central task in rural areas is to comprehensively develop the rural economy in accordance with the grand goals set by the Ninth Jiangsu Provincial CPC Congress to ensure the supply of essential agricultural products, increase peasants' incomes, and ensure that all rural areas in the province will become relatively well-off and some areas will initially realize the modernization goal by the turn of the century. Rural party branches and other organizations should carry out work around these goals and tasks.

Xu Zhonglin emphasized: To realize the goal of doing a good job of strengthening five aspects of rural grass-roots organizations and to tackle the crucial task of building up party branches, we should first pay close attention to strengthening leading bodies, especially to the election of good party branch secretaries. We should also improve party members by strengthening the education and management of party members who are peasants. We should promptly uncover and nurture advanced elements who have emerged in the course of rural reform and modernization, and recruit those who are qualified as party members without delay. Besides strengthening party branches, we should conscientiously beef up other grass-roots organizations so as to give rise to a new pattern of rural work with party organizations as the leading core; villagers' committees and collective economic bodies as the basis; and the Communist Youth League, women's congresses, and militias as the supplement.

Shandong Secretary Speaks on Anticorruption

SK1402130195 Jinan Shandong People's Radio
Network in Mandarin 2300 GMT 13 Feb 95

[FBIS Translated Excerpt] Zhao Zhihao, secretary of the provincial party committee and governor of the province, delivered a speech at the fourth enlarged plenum of the provincial Discipline Inspection Commission, which concluded in Jinan on 13 February. In his speech he pointed out: In conducting anticorruption work this year, it is imperative to adopt more powerful measures, to concentrate efforts on deepening the struggle against corruption, to make efforts to vigorously grasp implementation, and to unswervingly carry forward the struggle against corruption.

According to the station reporter's dispatch from the enlarged plenum, Zhao Zhihao stressed that leading cadres should be honest and self-disciplined, and should deeply grasp implementation and consolidation in line with the demands set by the central authorities and by

the provincial party committee. In investigating and handling cases, leading cadres should continuously uphold the principle of investigating and handling cases of violating the law and discipline that have been committed by party and government leading organs, by administrative and law-enforcement organs, by judicial organs, and by departments in charge of economic management. They should also regard these cases as a focal point, and concentrate efforts on investigating and handling a large number of major and appalling cases. In correcting malpractices, a good job should be done in vigorously checking the three malpractices, including those of arbitrarily establishing check points, of arbitrarily collecting charges, and of arbitrarily imposing fines along highways; those of arbitrarily collecting charges among students of middle and primary schools; and those of arbitrarily collecting charges from peasants and apportioning to them arbitrarily. Various localities and departments should bear the reality in their minds and continuously do a good job in dealing with prominent problems on their own.

Zhao Zhihao stressed: We should vigorously enhance the construction of ideology and politics, and reinforce our capability to resist the influence of corrosive thinking and culture. Efforts should be made to enhance education of the world outlook of the proletariat; to always uphold the correct political orientation; to steadily strengthen education on the party's purpose; and to tighten the blood-flesh ties with the masses. We should also enhance the concept of discipline, establish a strict inner party political life, and continuously carry forward the spirit of arduous struggle.

Zhao Zhihao urged the broad masses of party members and cadres to learn from Kong Fansen, a cadre of the province, for his true political spirit to wage an arduous struggle did not change when his post changed; his work style of closely linking with the masses did not change when his power became greater; and his moral character of practicing economics did not change when his pay increased. They should learn from him for his spirit in which he achieved marked achievements in a down-to-earth manner for the party and people.

Attending the enlarged plenum were Han Xikai, Chen Jianguo, and Song Fatang, deputy secretaries of the provincial party committee; Tan Fude, member of the provincial party Standing Committee and secretary of the provincial discipline Inspection Commission; and Zhang Ruifeng, vice governor of the province. [passage omitted]

Shandong Governor Interviewed Prior to Program

OW0902034195 Shanghai People's Radio Network
in Mandarin 2300 GMT 7 Feb 95

[Report on an interview with Zhao Zhihao, secretary of Shandong provincial party committee and governor, by RENMIN RIBAO's East China branch reporter Wu Yan and station reporter Lian Hui, on 7 February; place not

given; from the "990 Morning News" program; poor reception precludes fuller processing—recorded]

[FBIS Summary] Prior to taking part in the 1995 hotline activities for the governors and mayors of East China [jiu wu hua dong sheng shi zhang re xian huo dong], Governor Zhao Zhihao was asked by reporters to give a briefing on Shandong's general plan for opening to the outside world this year.

He said: The plan to improve the eastern region of Shandong consists of the following: "First, further efforts will be made to strengthen Qingdao's dominant status, to make it play its exemplary role more efficiently, and to give full play to its preferential policies and to its economic and technology development zone, new and high technology development zone, [words indistinct] and bounded area. Second, efforts will be made to strengthen the three national economic and technology development zones in Qingdao, Yantai, and Weihai, and to enhance their role in stimulating economic development. Third, efforts will be made to strengthen the roles of areas along communication lines—including the Jinan-Qingdao railway and Jinan-Qingdao highway—in stimulating economic development, and in a coordinated way to guide cities along the lines to take advantage of big cities and big enterprises." [passages indistinct] Our plans are to build a large number of exported-oriented enterprises along main communications lines in about three years. By developing the central part of Shandong and supporting its western region, we mean to mainly render support through policies in order to speed up the process of opening up the central and western parts to the outside world. Efforts will be made to advance the development of the open economy of these regions to the level of Shandong's eastern coastal areas during the Ninth Five-Year Plan period.

[Reporter] "When I interviewed you in Beijing at the beginning of this year, you talked about Shandong's plans to launch two projects that will span this and the next century. One is the plan to build a seaborne Shandong; the other is the development of the Huang He Delta. What progress has been made in the past one or two years? What is the ultimate objective?"

[Zhao Zhihao] "The building of a seaborne Shandong and development of the Huang He Delta—these are two large projects that were mapped out by the Shandong provincial party committee and provincial government on the basis of local conditions. The projects will span this and the next century and represent a major move to expand Shandong's economic development. We have made fairly large progress since launching the two projects." Development plans, policies, and measures for the project of building a seaborne Shandong have contributed to the development of marine industries in an organized and orderly way. "In 1994 the province's output value of marine industries reached nearly 40 billion yuan, an increase of 20 percent over 1993, surpassing the growth rate of provincial gross product in

the same period." There are more than 10 million mu of wasteland in the Huang He Delta. There are abundant resources for farming, animal husbandry, petroleum, petroleum gas, and chemical engineering. [words indistinct]

[Reporter] In recent years, there has been an increase in cooperation and exchanges between Shandong and Shanghai. In particular, there have been closer ties between Shandong's "vegetable garden" project and Shanghai's "vegetable basket" project. What is your view of this phenomenon, Governor Zhao?

[Zhao] "There have been close cooperative ties between Shandong and Shanghai. These ties have become closer in recent years. In particular, good results have been achieved in developing Shandong's "vegetable garden" project and Shanghai's "vegetable basket" project. Generally speaking, bilateral cooperation has yielded good results. Moreover, there is great potential and bright prospects for this type of cooperation between Shandong and Shanghai. This phenomenon shows that strengthening regional cooperation is an objective requirement for and an inevitable trend of the development of a socialist market economy."

[Reporter] "In the 1995 hotline activities for governors and mayors of East China, jointly sponsored by Shanghai People's Radio Network and RENMIN RIBAO's East China branch, you are the first guest of honor to take part in the program. What is your comment on the program, the main theme of which is 'cooperation and exchanges'?"

[Zhao] "The activity organized by Shanghai People's Radio Network and RENMIN RIBAO's East China branch is a very good one. It will help the various provinces and cities in east China to exchange information, exchange experiences, and enhance mutual understanding. Supporting one another is a very important matter. Strengthening regional cooperation is the major trend of world economic development and is also an objective requirement for the development of a socialist market economy in China. East China, led by Shanghai, is one of the country's most vital regions for economic development and occupies an important place in economic development in China. I hope the hotline program will continue to improve and play a greater role in promoting mutual understanding, exchanging support, and advancing common development among Shandong, Shanghai, and other regions in east China."

Shanghai Adopts Union Regulations

OW1502063395 Shanghai WEN HUI BAO in Chinese
9 Feb 95 p 1

[Unattributed report: "Municipal Trade Union Regulations, Examined and Adopted at a Meeting of the Standing Committee of the Municipal People's Congress, Will Go Into Effect on 1 May"]

[FBIS Translated Text] The 16th meeting of the Standing Committee of the 10th Shanghai Municipal People's Congress, which ended yesterday, examined and adopted the "Shanghai Municipal Regulations on Trade Unions." The regulations will go into effect on 1 May.

The meeting examined the "Report on the Work of the Shanghai Municipal People's Congress Standing Committee" (draft). During deliberations on the report, and while recognizing the success of the Standing Committee, its members pointed out: Although the Standing Committee enacted a number of laws last year, only a few are local laws and regulations involving the market economy, reform, and opening to the outside world; but the failure to abide by the law and lax law enforcement are still serious problems. Therefore, while speeding up the pace of legislation, it is necessary to vigorously tighten law enforcement and legal supervision in order to safeguard the dignity of the law.

A number of Standing Committee members strongly criticized the municipal government for having taken no serious action to handle matters of a serious violation of the law by the No. 1 Huilong Chemical Engineering Branch Factory in Jiading District. Last summer, when deputies of the municipal people's congress visited the factory to check on law enforcement there, the factory authority hampered the deputies from exercising their functions by locking them up in the factory. Other Standing Committee members also criticized the municipal government for its failure to strictly enforce the regulations governing the use of fireworks and firecrackers during this year's Spring Festival, and they charged that law-enforcement departments have not done enough to publicize and enforce these laws and regulations.

The meeting decided to make further appropriate amendments to the work report (draft) of the Standing Committee. After the report is examined and approved by the chairmanship meeting, Chairman Ye Gongqi will deliver it at the people's congress session on behalf of the Standing Committee, and he will ask the session to examine it.

The meeting also adopted the agenda, the schedule, and 11 draft bills to be submitted to the Third Session of the 10th municipal people's congress.

Shanghai Establishes Work Assessment Committee

OW1402121095 Shanghai People's Radio Network
in Mandarin 2300 GMT 10 Feb 95

[By station reporter (Yin Junrong) and correspondent (Zhou Genrong); from the "990 Morning News" program]

[FBIS Translated Text] The Shanghai Municipal Committee for Determining the Ability of Staffers and Workers To Work was established yesterday. It indicates

that Shanghai's work in assessing the ability of staffers and workers to work has embarked on a standardized management track. Vice Mayor Xie Lijuan acted as chairman of the Shanghai Committee for Determining the Ability of Staffers and Workers To Work. It has been learned that assessing work ability is the basis for formulating reasonable social security treatment for staffers and workers, for the correct examination and approval of staffers' and workers' complete loss of ability to work and their retirement earlier than the legal limit or resignation; and for approving leave for injured or ill staffers and workers, their return to work, and transfer to other jobs. As such, it constitutes an important integral part of social security.

In accordance with a suggestion made by Vice Mayor Xie Lijuan, beginning 13 February, the Shanghai Committee for Determining the Ability of Staffers and Workers To Work will operate a hot line—telephone No. 3218224—every Monday.

Huang Addresses Shanghai Propaganda Conference

*OW1402121595 Shanghai People's Radio Network
in Mandarin 2300 GMT 11 Feb 95*

[By station correspondent (Liu Fuquan); from the "990 Morning News" program]

[FBIS Translated Text] Shanghai held a municipal propaganda work conference in the Shanghai Municipal Exhibition Center's Friendship Hall yesterday. The meeting relayed and implemented the guidelines of a recent national conference of propaganda department directors and drew up an overall plan for Shanghai's propaganda and ideological work this year.

Huang Ju, Shanghai municipal party committee [SMPC] secretary, raised five requirements for fulfilling this year's propaganda and ideological tasks, stressing that party committees at all levels must give full play to the dominant political position they enjoy in conducting the party's propaganda and ideological work and provide an effective guarantee in terms of ideology and a favorable environment in terms of the public opinion for reform, opening up, and modernization.

Huang Ju emphatically pointed out: The propaganda and ideological front is very important. It is necessary for comrades of propaganda and ideological departments at all levels to have a clear understanding of their own responsibility; value the great trust placed in them by the party and people; enhance their sense of honor, of having undertaken a mission, and of urgency because they are required to conduct the propaganda and ideological work under the current new situation; more conscientiously revolve their efforts around the party's central task; and further usher in a new situation of Shanghai's propaganda and ideological work by upholding high standards, setting strict demands, and beginning from a new starting point.

Huang Ju raised requirements on fulfilling this year's propaganda and ideological work. First, it is necessary to study well and do a good job of propagandizing Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics. Second, it is necessary to revolve efforts around the overall situation, contribute to and propagandize the overall situation, conscientiously uphold the authority of the party Central Committee with Comrade Jiang Zemin as the core, and conscientiously safeguard the overall situation. Third, it is necessary to further advocate the themes of patriotism, collectivism, and socialism. Fourth, it is necessary to further improve the propaganda and ideological work's practical results. And, fifth, it is necessary to increase the output of intellectual products and improve their quality.

SMPC Deputy Secretary Chen Zhili reviewed last year's propaganda and ideological work in Shanghai and drew up a plan for this year's work. She stressed: This year's propaganda and ideological tasks are very heavy. Shanghai must treat Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics as the fundamental guideline for its propaganda and ideological work, adhere to the party's basic line, revolve efforts around the party's central task, and further fulfill the tasks—arm the people with scientific theories, use the correct public opinion to guide them, mold them with a noble spirit, and inspire them with excellent works—raised by Comrade Jiang Zemin.

Jin Binghua, SMPC standing committee member and Propaganda Department director, presided over the meeting and relayed the guidelines of the national conference of propaganda department directors. Vice Mayor Gong Xueping attended the conference.

Commentator on Shanghai's Reform 'Vigor'

*OW1502093595 Shanghai JIEFANG RIBAO in Chinese
5 Feb 95 p 1*

[JIEFANG RIBAO commentator's article entitled: "Have a Clear Understanding of the Situation and Enhance Vigor—A Few Words on the Occasion of the 1995 Spring Festival"]

[FBIS Translated Text] Spring returns to the earth and society is full of warmth. Having just celebrated a happy and peaceful Spring Festival, Shanghai people today began their spring sowing with full vigor. When we are conscientiously carrying out the ideas proposed by the recent Third Plenary Session of the Sixth Shanghai Municipal Party Committee for Shanghai's development over the next three years and its requirements for this year's work, it is necessary for leading cadres at all levels to face up to the new situation and problems cropping up in the current economic life, have a clear understanding of the situation, enhance vigor, surmount difficulties, and handle their jobs in a down-to-earth manner.

The achievements scored by Shanghai in bringing about a great change over the past three years accumulated

tremendous energy and this has laid a solid foundation in terms of people's thinking and concepts, material conditions, and social environment for the attainment of the goals over the next three years. Meanwhile, some new contradictions and problems inevitably cropped up in a period of the economy's shift to a new structure and its rapid development. It is not right for us to be blindly optimistic and lower our guard in the face of such a situation, and neither is it right for us to see only problems to the neglect of other aspects, to exaggerate difficulties one-sidedly, and to lose our confidence. We should size up the situation comprehensively and dialectically. We must be aware of dangers, always keep a clear head, meet challenges, and continuously solve new contradictions and problems; and, meanwhile, we must not let ourselves be heavyhearted, complain of hardship, or have our confidence in reform and development shaken whenever we confront difficulties.

With regard to having a clear understanding of the situation, we want to elaborate on the following three points. We must see opportunities in challenges; we must see hope in difficulties; and we must find a driving force when we are under pressure.

We must see opportunities in challenges. Opportunities and challenges coexist. The problem lies in whether we can have a keen insight and can seize the opportunities. At present, international economic competition is very fierce. It poses a grim challenge to us and, meanwhile, brings along with it a rare opportunity. As the focus of world economic growth shifts to the Asia-Pacific Region, and as China's sustained, rapid, and healthy economic development [zhong guo jing ji chi xu kuai su jian kang fa zhan 0022 0948 4842 3444 2170 4958 1816 6643 0256 1660 4099 1455] entrusts a more important historical mission to Shanghai, which is located in China's coastal economic development area and at the confluence of the economic development zones along the Chang Jiang, Shanghai is facing a very rare historical opportunity to rise again and emerge as an international center. Strengthening and improving macroeconomic regulation and control will further improve the macroeconomic environment, standardize economic operations, optimize the distribution of resources, and rationalize the setup of interests; meanwhile, the promotion of macro reform as a whole and the breakthrough achieved on key links provide a spacious stage on which Shanghai can be the first to establish the operating mechanisms for a socialist market economy. A series of new situations and challenges have, indeed, cropped up in our current economic life. We must treat these problems comprehensively and dialectically and find opportunities in them. For example, we should see an opportunity for us to change the mode of economic growth and improve the quality and efficiency of economic operations in an appropriate curbing of the scale of investment; we should see an opportunity for us to readjust the industrial structure and product mix over certain fluctuations in the market; in certain constraints on the development of the tertiary industry, we should see an

opportunity for us to develop large-scale industry and large-scale agriculture, step up the construction of infrastructure, and optimize the structure of tertiary industry; we should see an opportunity for us to develop the suburban areas in the readjustment of the distribution of Shanghai's productive forces; in the changes taking place on the real estate market, we should see an opportunity for us to promote domestic sales of housing units through land lease in batches; in the changes taking place in the trend of our attracting foreign funds, we should see an opportunity for us to attract investment from multinational companies and promote in-depth development of the making high-quality use of more foreign funds; in readjusting infrastructure and the speed of development, we should see an opportunity for us to step up the development of functions, improve the functions of a city, and give play to functional efficiency; and so on. In short, both challenges and opportunities lie in front of Shanghai. While resolutely carrying out all the policies of the central authorities in all areas, we must have a full understanding and make use of the unique advantages enjoyed by Shanghai, enhance vigor, meet the challenges, seize new opportunities under the new situation, and develop ourselves from a newer and higher starting point.

We must see hope in difficulties. Difficulties carry within them the seeds of hope. The crux of the matter lies in the necessity for us to see hope and turn difficulties into hope. Indeed, at present, quite a number of state-owned enterprises confront all sorts of difficulties. However, we must be aware that reform of state-owned enterprises constitutes the central link of this year's reform; that, as reform deepens, enterprise property rights will be further clearly defined, government administration and enterprise management will be further separated, conditions under which state-owned enterprises compete with other sectors of the economy will be made fairer, and supportive social reforms will be successively implemented; and that all these bring a new hope to state-owned enterprises. Of course, a certain condition is necessary to turn difficulties into hope. The condition, first of all, is to bring into full play our subjective activity. To surmount the difficulties confronting state-owned enterprises, it is necessary for us to speed up the process of optimizing the distribution of production factors, expedite the transformation of operating mechanisms at enterprises, and enable enterprises to truly become the principal part of the market. All these set a demand on enterprise leadership to think hard about how to successfully carry out reform and transform operating mechanisms. At present, there are also some comrades who blame everyone and everything but themselves, and are at a loss about what to do in the face of difficulties. Such a mentality does not help the situation. The key to finding a way out of difficulties lies in accelerating the establishment of operating mechanisms compatible with a socialist market economy. Our cadres at all levels must truly further emancipate their minds from the thinking, mentality, and behavior that were the

pattern for a protracted period of time under the unitary system of the planned economy; acquire a consciousness of the market, competition, and independence; enable the decision-making, operations, and management of enterprises to be compatible with market changes; and enable enterprises to participate in market competition, surmount difficulties, and win competition. A factory manager properly put it: "We encounter difficulties everyday, but, after all, there are more measures than difficulties." This is a Marxist attitude and a dialectical materialist attitude. It is particularly necessary for us to encourage such a mentality and pragmatic attitude now.

We must find a driving force when we are under pressure. Accepting that our fundamental policy has been decided upon, our responsibility is to implement the various principles and policies formulated by the central authorities in a creative way and in the light of current local realities. Certain fluctuations in economic development will occur frequently and the market economy will undergo a number of changes over a very short space of time. They set a demand on us, first of all, to establish the operating mechanisms for a socialist market economy and to greatly enhance our ability to withstand fluctuations as well as our international competitiveness. Only by turning pressure into a driving force that carries out reform one step ahead of others can we enable a comprehensive capability, which is compatible with a market economy and has the many changes taking place in a market economy well in hand, to evolve and extricate ourselves from a passive situation. Pressure is a good thing because "the water level cannot rise without pressure and people feel as if they are treading on air if they are not under pressure." If a number of our departments can still steadily sail with the wind when everything is smooth, and if a number of our enterprises can still "sit facing the south [act like a king]" and are satisfied with the existing operating mechanisms and management level under the condition of a stable market, then macroeconomic regulation and control, the fierce competition under a market economy, and the pressure from the law on survival of the fittest leave only one way out for us, namely, to accelerate reform, because only by doing so can we survive and achieve development. In this sense, pressure itself is a driving force. Turning pressure into a driving force is precisely the attitude of a pioneer and the "special character" of the Shanghaiese in the nineties.

We must see opportunities in challenges and hope in difficulties, turn pressure into a driving force, have a clear understanding of the situation, and have the situation well in hand. Let us strengthen our resolve to implement the party's basic line, steadfastly persist in making economic construction our central task, and steadfastly uphold reform and opening up under the leadership of the party Central Committee with Comrade Jiang Zemin as the core and under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics. Let us further seek unity of thinking, assume responsibility for the situation as a

whole, improve coordination, conduct our work in a down-to-earth manner, and attain the magnificent goals set for Shanghai over the next three years with high morale, with enhanced vigor, and with a pragmatic attitude that stresses every step leaves its footprint.

Enterprises Become 'Mainstay' of Zhejiang Economy

OW1402235195 Hangzhou ZHEJIANG RIBAO
in Chinese 2 Feb 95 p 1

[By reporter Chen Zhinong (7115 1807 6593), reporter trainee Deng Wei (6772 8343), and correspondent Zhao Renchun (6392 0088 2504): "Village and Township Enterprises Are Becoming the Mainstay of the Provincial Economy"]

[FBIS Translated Excerpt] Last year, village and township enterprises truly became the mainstay of the provincial economy.

In 1994, village and township enterprises in Zhejiang turned out a total of 449.6 billion yuan industrial output value, accounting for 72.9 percent of the provincial gross industrial output value; and they played a predominant role in and the province's high industrial growth. Revenue deriving from such enterprises increased from the 53.3 percent to 57.4 percent of the provincial financial revenue and made up a considerable portion of the peasants' 2,250 yuan per capita annual income. Village and township enterprises have become an important force for promoting a sustained, rapid, healthy development of the provincial economy, as well as the hope for peasants to achieve initial prosperity as quickly as possible. [passage omitted]

Village and township enterprises have maintained good export momentum while improving the quality of joint ventures and cooperation with foreign businessmen. Last year, Zhejiang's village and township enterprises delivered export commodities worth 48.2 billion yuan, up 67.89 percent from the previous year and coming up among the top provinces nationwide. Across the province, 57 village and township enterprises have been granted the right of self-management in export and import, and some 100 enterprises have set up industrial enterprises outside the territory to accelerate the process of converging with the international market. In 1994, village and township enterprises negotiated to use \$567 million in foreign capital, and set up 1,045 wholly or partially foreign-owned enterprises. [passage omitted]

Central-South Region

Longhu District Becomes Boom Area in Guangdong

OW1502104095 Beijing XINHUA in English 1026
GMT 15 Feb 95

[FBIS Transcribed Text] Shantou, February 15 (XINHUA)—The Longhu District has become the most vigorous economic area in the Shantou Special Economic Zone, in Guangdong Province, over the past few years.

In November 1991 the zone was enlarged from 52.6 sq km to 234 sq km. Flexible policies are being pursued in Shantou and other special economic zones in China to lure investors from Hong Kong, Macao, Taiwan and overseas.

Zhang Digao, secretary of the Longhu District Committee of the Communist Party of China, said, "Longhu has scored sustained, rapid and sound economic development in recent years."

The district manufactured five billion yuan-worth of goods in 1994, double the amount for the previous year. Local rural industries also doubled their industrial output value last year.

Zhang said one factor spurring Longhu's economic growth is the rapid development of the information industry and other technology-intensive industries.

To date, the Longhu District Government has allocated 30 million yuan to aid the undertaking of 36 information and high-tech projects.

As a result, eight information companies were set up in 1994, with investment totalling nearly 100 million yuan. The district now has 28 information companies with annual turnover totalling almost 900 million yuan—18 percent of Longhu's industrial output value.

According to Zhang, the local government has also spent three million yuan aiding the undertaking of 15 new product-development and production projects over the past few years.

"Longhu has given top priority to the import of information technology and high-technology," he said.

In 1994 local companies launched a number of information and high-tech projects in Longhu, together with transnational companies from Germany and the United States.

Six foreign-funded companies in Longhu have been rated as among the 500 leading overseas-funded enterprises in China.

Zhang said that Longhu's sustained economic growth is also due to the backing of key enterprises by the district government.

The government provides all necessary services to the 75 major local manufacturers each turning out at least 10 million yuan-worth of goods a year, he said.

These firms turned out 3.6 billion yuan-worth of goods last year, 70 percent of Longhu's industrial output value, he added.

Zhang said that another factor promoting Longhu's economic growth is the rapid growth of the export sector.

Exports from Longhu were worth 715 million US dollars in 1994, up 40 percent from the previous year.

Hainan's Haikou Real Estate Prices Fall by 30 Percent

HK1402041995 Beijing ZHONGGUO XINWEN SHE in English 1438 GMT 13 Feb 95

[FBIS Transcribed Text] Haikou, February 13 (CNS)—An authoritative organization in Haikou City, capital of Hainan Province, discloses that property price in Haikou has decreased by 30 percent at present compared with that in early 1993. If the price continues to drop on this basis, most of the developers will not bear this.

Some people analyze that the main difficulty facing most of the developers in Haikou now is shortage of capital. The government has sped up approving sales of property rights so that the developers can have loans on mortgage from banks. It is estimated over 60 percent of the projects underway need this kind of financial assistance.

To date, various kinds of properties in Haikou have all showed 30 percent decline in their prices. If the location of the property is not satisfactory, the price falls by nearly 40 percent.

On the other hand, since 1988, property of some 6 million square metres have been built in Haikou City. Of which, 60 percent are commercial buildings and 40 percent are residential housing.

Hubei Leaders Work at Water Conservancy Site

HK1502054495 Wuhan Hubei People's Radio Network in Mandarin 1000 GMT 9 Feb 95

[FBIS Translated Excerpt] [Announcer] This is a recorded report from our reporters on provincial leaders working on a water conservancy construction site.

[Begin recording] [Unidentified reporter] Today is 9 February. We are reporting from a water conservancy construction site in the Zhengjiawan section of the Chang Jiang in Ezhou City. Leaders of the provincial party committee, the provincial people's congress, the provincial government, the provincial committee of the Chinese People's Political Consultative Conference [CPPCC] and the provincial military district as well as more than 200 cadres from institutions under the provincial authorities are participating in the construction of this project, a prelude to large-scale agricultural development in the province and a mass fervor of spring farming. [passage omitted]

Leaders of the provincial party committee, the provincial people's government, the provincial government, the provincial CPPCC, and the provincial military district are coming to the scene. They include [Secretary and Governor] Jia Zhijie, Qian Yunlu, Yang Yongliang, Ding Fengying, Li Daqiang, Wang Zhongnong, Liu Guoyu, Wang Shengtie, Dong Guozheng, Wang Hanzhang, Han Nanpeng, Meng Qingping, Xu Xiaoyun, Zhang Hongqiang, and Sun Keqiang.

From 1959 to 1994, this section of the Bapu dike collapsed many times. [passage omitted] Colorful banners are fluttering on the dike, and more than 2,000 cadres, staff members, and peasants came to the construction site early this morning. [passage omitted] Vice Governor Li Daqiang has said:

[Li] Provincial leaders have now come to this construction site to participate in the work. While the water is dirty and salty, this project will enable the people throughout the province to understand the importance of this work. [words indistinct] More importantly, we will rely on the people in overcoming natural disasters and reaping a good harvest.

[Reporter] Vice Governor Wang Shengtie is carrying dirt on a shoulder pole. Let us interview him.

[Wang] We are now participating in today's work. This has a practical bearing on harnessing the province's big rivers and their tributaries as well as on protecting big and small reservoirs. It also indicates that spring farming has started. It is also of great importance for setting off an upsurge in production.

[Reporter] Let us also interview Deputy Secretary Qian Yunlu at the construction site.

[Qian] [words indistinct] We want to do something practical and change our work style.

[Reporter] Secretary and Governor Jia Zhijie is now talking to the reporters.

[Jia] This year the party central committee has called on us to carry out large-scale agricultural production. The provincial party committee and government are responding to this call, and the entire party has been mobilized to engage in large-scale agricultural production with the participation of the entire people. We started this work in early January this year and have made it the number one priority of all work throughout the province. Now the situation looks good and everyone is quick to act. The provincial leaders' current move also manifests this spirit.

Why are we paying particular attention to dike construction this year? Because there have not been any particularly large floods in Hubei for many years. The longer the period without serious flooding, the greater the possibility of more serious floods occurring. The central and provincial meteorological departments predicted that there might be heavy rainfall in this region this year. So we must take precautions beforehand. We are combating natural disasters to ensure a good agricultural harvest. This is very important. [end recording]

[Announcer] We have just broadcast a recorded report on the provincial leaders' participation in the work at a water conservancy construction site.

Hubei Leaders Visit Companies, Resolve Problems

HK1502083795 Wuhan Hubei People's Radio Network in Mandarin 1000 GMT 9 Feb 95

[FBIS Translated Excerpt] For three consecutive days from 9 February onward, provincial leading comrades including Secretary and Governor Jia Zhijie and the leaders of provincial commissions and offices visited industrial departments and bureaus directly under the provincial authorities, performing official duties on the spot to ensure the fulfillment of industrial production tasks this year and to gain the initiative in all aspects of work. Accompanying Comrade Jia Zhijie were: Yang Yonglian, deputy secretary of the provincial party committee; Li Daqiang, vice governor and member of the provincial party committee's standing committee; Vice Governors Meng Qingping and Chen Shuiwen; and Cheng Yuntie, secretary general of the provincial government.

During this three-day inspection, Jia Zhijie, Yang Yonglian, and other leaders held discussions with comrades from a provincial-level power supply company, pharmaceutical company, machine building company, electromechanical company, coal company, petrochemical company, metallurgical industrial company, and from a building materials company. They also listened to reports by these comrades.

Comrade Jia Zhijie and other leaders fully confirmed the new developments in these companies this year on the basis of last year's good achievements and their arrangements for this year's work. The leaders provided guidance for resolving the questions put by these companies. They resolved those problems which could be resolved on the spot. [passage omitted]

Comrade Jia Zhijie pointed out: Now that the major policy and principle have been fixed, the provincial government has already formed explicit ideas on the province's work. Whether or not we can fulfill our work targets smoothly depends on whether or not we implement the policy and principle. The exciting and good situation in the province's economic situation this year should, fundamentally speaking, be attributed to Hubei's efforts to closely combine central instructions with the province's specific conditions and to its creativity in work. [passage omitted]

Wherever Comrade Jia Zhijie went, he stressed: The work focus for this year is to carry out large-scale agricultural production, improve state-owned enterprises, and curb inflation—three major issues that have an important bearing on the overall situation. In this way, we will promote all work.

Comrade Jia Zhijie said: The crucial period in any year is the spring. The results of a year's work depend on how the start is made and time is money. The Spring Festival has just finished and all localities and departments must get into action quickly and concentrate on their work.

With enterprising spirit, they must strive to preserve and develop Hubei's hard-earned good situation and score a new victory this year.

Southwest Region

Tibet Improves People's Air Defense Work

OW1502122695 Lhasa XIZANG RIBAO in Chinese 31 Jan 95 p 1

[By reporter Zheng Mingxuan (6774 2494 6513): "In Conjunction With the Establishment of a Market Economy, the Region Deepens Reform of the People's Air Defense Work and Pushes the People's Air Defense Work to a New Height"]

[FBIS Translated Text] Last year, the regional office on people's air defense deepened reform of people's air defense work in close conjunction with the establishment of a market economic structure, thereby pushing people's air defense work to a new height.

Currently people's air defense construction projects have been carried out in Tibet in line with state requirements, while people's air defense facilities have yielded their due social and economic benefits.

People's air defense is an undertaking beneficial to the country and the people. Under the new historical condition, especially in peacetime, the focus of current reform is how to enable people's air defense work to cope with the new situation and play a role in economic construction. Last year, the regional office on people's air defense, relying on its own strength, boldly carried out reform by combining peacetime production with war preparedness in the light of the realities in Tibet, thereby opening up a new situation in people's air defense work.

—Construction of people's air defense projects was speeded up, with the completion of air raid tunnels and command and warning systems in key cities. Last year, despite the strain on human and material resources, the regional office on people's air defense rationally utilized resources and quickened the pace of construction, thus overfulfilling the people's air defense tasks. Meanwhile, based on Tibet's need for air defense work, the office stepped up efforts to complete the installation of air raid warning systems in key cities as well as a cellular telecommunications command network for people's air defense colonies [ren fang ji qun yi dong dian hua tong xin zhi hui wang luo 0086 7089 7162 5028 4448 0520 7193 6639 0207 4762 2172 2264 4986 4820]. As a result, a fairly comprehensive people's air defense engineering, command, communications, and warning system took shape in the region.

—New headway was made in publicity and education on people's air defense. Last year, in view of Tibet's special geographical location and the masses' lack of understanding of people's air defense work, the

regional office made relentless efforts to promote publicity and education of people's air defense work. Through newspapers, radio, and television, the regional office vigorously conducted publicity and education; and, with the regional education commission's active support, incorporated rudimentary knowledge of people's air defense into textbooks for fighting illiteracy and distributed them to all units and farming and pastoral areas. Last August, the office also sponsored the first regional "people's air defense summer camp" for middle school students, which yielded notable achievements in publicity and education on people's air defense.

—Combining peacetime production with war preparedness, the regional office made good use of people's air defense facilities in peacetime while bearing in mind the needs of wartime, thereby increasing the "war preparedness, social, and economic" benefits of people's air defense work and boosting its overall strength. Last year, the regional office, pursuant to the operating mechanisms of a socialist market economy and the special features of people's air defense work, adhered to the principle of subordinating people's air defense work to economic construction, boldly carried out reform of people's air defense work, and promoted the combination of peacetime production with war preparedness in all fields of work. The regional office fully utilized the existing people's air defense facilities and equipment, and obtained good economic benefit in setting up people's air defense reception centers and building facilities covering a total of 436 sq m that can be used in peacetime as well as wartime. Meanwhile, the People's Air Defense Engineering Construction Company, after completing construction of people's air defense projects, actively took part in socialist construction market activities. Last year, the company contracted projects covering 3,835 sq m with 2.68 million yuan production value, and earned 186,000 yuan in profits, thus increasing funds for people's air defense construction. In this way, the regional office kept people's air defense facilities in good condition while making good use of them to increase economic revenues for accelerating the development of people's air defense work.

North Region

Beijing Expands Communications Infrastructure

OW1502073695 Beijing XINHUA in English 0656 GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—This capital city of China will invest 5.5 billion yuan in posts and telecommunications infrastructure this year to keep pace with its rapid economic development.

This is a fresh step the municipal government is taking to upgrade the local telecommunications infrastructure and narrow the gap between demand and supply for telecommunications services.

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In this metropolis with a population of over 10 million, 72 percent of the urban residents still have no access to telephones. The figure is higher in rural areas.

Over the past few years, China's Posts and Telecommunications Ministry and Beijing municipal government have channeled a large amount of investment into the telecommunications sector in the city.

In 1994 a record 4.7 billion yuan of investment went to the sector, double that for the previous year.

That resulted in 787,000 program-controlled telephone lines and 340,000 new subscribers for the local telephone service.

The number of subscribers to the direct-dial long-distance service and of mobile phone service also rose last year—by 362,000 and 45,000, respectively.

To date, there are one million telephone subscribers in Beijing. Switchboards in the city have a combined capacity of three million lines. In addition, all the telephones in urban and suburban areas are programmed.

The citywide telecommunications network is linked to all other parts of the country and 200 overseas countries and regions.

Modern means of telecommunications, including satellites, micro-wave and optical fiber cables, have been introduced into the network, providing various data-transmission services.

Visual telephony service is available between Beijing and the cities of Shanghai and Hangzhou, as well as the Japanese capital of Tokyo.

Hebei To Aid Various Markets, Develop Economy

OW1502025195 Beijing XINHUA in English 0203
GMT 15 Feb 95

[FBIS Transcribed Text] Shijiazhuang, February 15 (XINHUA)—North China's Hebei Province will give a boost to its labor, technology, real estate, finance, information, and property rights sectors in 1995.

Over 5,000 different markets and related organizations are operating in Hebei. In 1994, the technology market did 650 million yuan in business, the labor market offered job opportunities to 600,000 people, and 300,000 sq.m. [square meters] of apartments were sold on the real estate market.

The labor market will provide services including exchanges of technicians, personnel training, contract-signing, social security, arbitration, and archives management, in addition to introducing jobs for 800,000 rural laborers to other provinces and municipalities.

A technology market will be established in all major cities in Hebei to form a network with this provincial capital as its core. Hebei will also organize several

technological commodity fairs and set up a group of technology markets featuring various groups to evaluate scientific and technological assets.

The number of technology-trading organizations will increase to 4,000 or 5,000, doing a business of more than 700 million yuan in 1995.

The real estate market will strengthen management of urban land and put in place a better evaluating system. It is expected that more than 460,000 sq.m. of apartments will be sold this year.

The province will build a financial market network to issue 3.4 to four billion yuan worth of different kinds of securities.

An information market will be constructed with Shijiazhuang as the center, comprising regional markets at Qinhuangdao, Zhangjiakou, Handan, Xingtai, and Baoding, along with 20 to 30 information markets at the county level.

A provincial property rights market will also be established.

Hebei will try to merge all these provincial markets with those around China.

Northeast Region

Jilin's Three-Day Work Meeting Ends 11 Jan

SK1502041795 Changchun JILIN RIBAO in Chinese
14 Jan 95 pp 1, 4

[By reporters Wu Qiong (0702 8825) and Yang Zongli (2799 1350 4539): "Attain the National Economic and Social Development Goal"]

[FBIS Translated Text] The three-day provincial planning work meeting concluded in Changchun on 11 January. The major purposes of the meeting were to study ways to implement the guidelines of the central economic work conference and the national planning work conference and to discuss the (draft) provincial economic and social development plan for 1995 based on the requirements and arrangements put forward at the fourth plenary session of the sixth provincial party committee and the provincial economic work conference.

The meeting noted: The year 1995 is the last year of the Eighth Five-Year Plan period and the first year in which we will promote Jilin's economy to another new height. Judging either from the connection of the two five-year plans or from the economic development for some time to come, it is an extremely crucial year. When arranging this year's economic development rate, therefore, we should focus our attention on improving the quality and efficiency of economic growth. After analyzing the favorable and unfavorable conditions for Jilin's current economic growth, the meeting particularly emphasized the need to maintain an appropriate and effective economic increase this year.

According to Jilin's economic and social development plan for 1995, we should strive to achieve a balance between the total demand and total supply and to optimize the structure in line with the basic requirement for state's macroeconomic regulation and control and our specific conditions. The meeting made it clear that in doing planning work, we should curb inflation by controlling the scale of investment and credit; increase the supplies of essential products to stabilize market prices; and continue to deepen the reform of the circulation system and explore new ways to regulate and control commodity markets.

On the premise that the market mechanism is fully employed, Jilin will pay attention to developing the role of the planning mechanism in regulation and control this year. Following the general ideas of consolidating and strengthening the position of agriculture as the foundation; expanding auto and petrochemical industries, which are the two pillar industries; accelerating the development of food and pharmaceutical industries, which are our superior industries; and supporting and cultivating high- and new-tech industries and electronic industry, we should keep market demand in view, eliminate the barriers between different localities, different trades, and different ownerships, and work in coordination to promote the structural adjustment in a down-to-earth manner.

The meeting emphasized: In this year's planning work, we should actively facilitate key construction projects and do a good job in coordination and service. We should actively help raise funds for key construction projects and make sure that all planned funds are put in place in full amount. We should pay attention to follow-up reserve projects, implement them one after another, and make breakthroughs in key projects. Following the strategy of putting the opening endeavor in the lead, we should expedite the construction of both tangible and intangible conditions, extend the work to draw in and use foreign capital, broaden in all directions the channels for collecting funds, and invest more foreign capital in agriculture, in such pillar industries as auto, petrochemical, energy, transportation, and telecommunications industries, in basic industries, and in infrastructural facilities. We should open wider across the board to promote foreign economic relations and trade.

In this year's planning work, Jilin should make more efforts to coordinate science and technology with the economy, accelerate the integration of science and technology with the economy, intensify the construction of basic scientific and technological facilities, optimize the distribution of scientific and technological resources, and continue to give prominence to education when making plans. It should strengthen the macro-control and regulation over the exploitation and utilization of land resources, promote environmental protection, and bring about coordinated development in social undertakings and the economy.

The meeting further clarified the priorities of this year's reform of the planning system. It pointed out: We should improve the balance between total demand and total supply and the coordinating methods for them, strengthen the balance and calculation of the amounts of value and key materials, and improve the coordination and balance of social capital. We should further reform the system for planning targets and define in a reasonable manner the targets for gross domestic product, the scale of fixed asset investment in the entire society, inflation rate, urban people's per capita cost of living, and peasants' per capita net income. We should experiment with the system of issuing the white paper for annual plans. The meeting noted that regarding the reform of the investment system, implementation programs should be further improved, and success should be achieved in the experiment with the legal person investment responsibility system for projects.

The meeting also put forward specific demands on the formulation of the Ninth Five-Year Plan.

Vice Governor Liu Xilin gave a speech at the meeting. Attending were vice mayors of cities and deputy head of the autonomous prefecture in charge of the planning work; responsible comrades of relevant departments and bureaus directly under the province; and responsible comrades of relevant departments of cities and the autonomous prefecture.

Jilin Governor on Democratic Centralism

SK1502020595 Changchun JILIN RIBAO in Chinese
14 Jan 95 pp 1, 3

[By reporter Xin Lijuan (6580 7787 1227): "Adhere to and Improve Democratic Centralism and Raise the Party's Leadership Level and Level as a Ruling Party"]

[FBIS Translated Text] Gao Yan, deputy secretary of the provincial party committee and provincial governor, gave an important speech on adhering to and improving democratic centralism, on raising the party's leadership level and level as a ruling party, and on Jilin's implementation of democratic centralism from the viewpoint of integrating theory with practice at the first discussion session held by the provincial party committee to study the "decision" of the fourth plenary session of the 14th party Central Committee on the morning of 13 January. Wang Jinshan, deputy secretary of the provincial party committee, chaired the session.

Speaking on the significance in adhering to and improving democratic centralism, Comrade Gao Yan pointed out: In the new period for reform, opening up, and the modernization drive, especially in the process of establishing the socialist market economy system, adhering to and improving democratic centralism has a very important significance in safeguarding the party's unity and solidarity, raising its level as a ruling party and its leadership level, and ensuring the implementation of the party's basic line. First, the principle of democratic

centralism is a concrete manifestation of the nature and progressiveness of the party. The Marxist political party is the vanguard of the working class, which represents the basic interests of the working class and the masses. Without democracy, the party will lose the trust and support of the masses, and without centralism, the party will be unable to exercise correct leadership and will become a sheet of loose sand. Only when the centralism based on democracy and the democracy under the guidance of centralism are organically combined can the progressiveness of a Marxist political party be fully embodied, can the separate organizations and all party members be organized to form a strong combat collective, and can the party lead the working class and the masses to fulfill its great historical mission in line with its program. Second, whether the principle of democratic centralism is upheld is an issue concerning the rise and fall of the party. Both the history of our party and the history of international communism show that when democratic centralism is correctly adhered to and implemented, the political life of the party and the state will become fairly normal, the party's line and policies will be correct, and the revolution and construction will smoothly develop and prosper; and that when we deviate from and abandon democratic centralism, the normal political life of the party and the state will be undermined, the party's line and policies will lead to mistakes, the revolution and construction will suffer setbacks, and even serious social turmoil will arise. Third, upholding and improving democratic centralism is the basic guarantee for establishing the socialist market economy system and attaining the strategic goal of socialist modernization. In the period when the planned economy system is transformed into the market economy system, we should formulate and implement correct principles and policies in line with the system of democratic centralism so that we can unify the will and deeds of the entire party, better coordinate, adjust, and regulate the relations of interests between various sectors, guide, protect, and develop the enthusiasm of party members and the masses, and, at the same time, check all the acts that pursue local interests at the expense of overall interests and correct all the phenomena that everyone acts his own way and that orders and prohibitions are not carried in order to ensure the smooth implementation of central orders. In the complicated and ever changing environment of the market economy characterized by intense competition, the wisdom, experiences, and ability of an individual are far from being enough to ensure the correctness and effectiveness of policies. Therefore, we should rely on the collective wisdom, develop the initiative and creativity of the entire party and the people throughout the country, fully carry forward democracy, extensively give heed to the various opinions in and outside the party, and, based on this, pool the correct opinions, turn them into the common understanding of the majority of people, and form correct policies. As the establishment of the socialist

market economy system represents a fundamental transformation involving all fields of society, it will unavoidably exert a profound influence on party building and on the thoughts and deeds of party members. Resolutions to these issues depend, first, on laws and systems and, second, on strict inner-party political life. Strict inner-party political life means conscientious implementation of democratic centralism; establishment, improvement, and implementation of the various specific systems for democratic centralism; strict enforcement of party discipline; criticism and self-criticism; and strengthened supervision and inspection over leading cadres with party membership.

Speaking on raising the level and ability in implementing democratic centralism, Comrade Gao Yan pointed out: In general, party and government leading bodies at all levels in Jilin have done a good job in upholding and implementing democratic centralism. But they still fall short of the demands as put forward in the "decision" of the party Central Committee. Leading bodies and leading cadres at all levels should particularly resolve the following issues.

First, they should have an accurate command of the dialectical relations between democracy and centralism. On the one hand, centralism is based on democracy; and without an extensive foundation in democracy, it is impossible to have correct and effective centralism. On the other hand, democracy cannot be separated from the restriction of centralism; the party will lose its combat strength without centralism; and democracy deviating from the guidance of centralism will lead to evil ways of ultra-democracy and anarchism. Therefore, each and every leading cadre should conduct study to acquire a good command of the relations and correctly handle relations when doing specific work. Second, leading bodies and leading cadres should enhance the sense of democracy and improve their ability for democratic and scientific policymaking. They should implement the collective leadership and the collective policy-making systems to the letter. They should establish a set of complete procedures for fully relying on the masses in democratic policymaking. In-depth investigation and study should be conducted before policymaking. In the process of policymaking, they should earnestly listen to the opinions of all fields, including contrary opinions. In implementing policies, they should strengthen inspection, supervision, and information feedback to track policy implementation. They should establish and perfect the policy-making mechanism that pools the efforts of leaders, experts, and the masses. They should embrace the idea of taking the overall situation into consideration and safeguard the leadership authority of the central authorities. As economic reform has entered a stage in which the most difficult problems will be tackled, we should all the more strengthen the leadership and the macro-control and regulation of the central authorities to resolve the contradictions and conflicts of interests between various sectors. A pragmatic attitude must never be allowed toward the instructions and policies of

the central and higher authorities. All localities and all departments should conscientiously carry out the orders and prohibitions and the various work tasks issued by the provincial party committee and government in line with central guidelines. Meanwhile, they should also conduct necessary supervision over how the provincial party committee and government complies with the central requirements. We should correctly handle the relations within leading bodies to rally the force of the leading bodies. Firmly focusing on the party's basic line, we should promote the unity of leading bodies, adhere to the system combining collective leadership with individual responsibility for assigned work, and raise the level and ability of "top leaders" in implementing democratic centralism. All the members of leading bodies should uphold party spirit and principles and use party spirit to protect the implementation of democratic centralism.

Speaking on the establishment of necessary systems for democratic centralism and relevant supervision and restriction, Comrade Gao Yan emphasized: Party committees at all levels and government departments should follow the guidelines of the "decision" to inspect how necessary systems are established. When establishing and improving all systems, we should exert more efforts to make the systems more operable and authoritative. When improving the specific systems for democratic centralism, we should start with the party committee (party leading group) work system, inner-party life system, and other systems supporting the implementation of democratic centralism. Meanwhile, we should conscientiously strengthen the supervision and restriction on the implementation of these systems. We should strengthen inner-party supervision. The system of leading cadres participating in the regular activities of the organization as cadres and as ordinary party members and the system of democratic appraisals of cadres with party membership are effective measures for inner-party supervision, which should be continued. In particular, we should make a success of the democratic meetings of leading bodies. Meanwhile, inner-party supervision should also be gradually standardized and institutionalized so that there will be laws and regulations to abide by and higher levels' supervision over lower levels will be strengthened. Party committees at all levels as well as discipline inspection, organization, and administrative supervision departments should hold the responsibility for the supervision, and take implementation of democratic centralism as an important criterion for judging the ideology and work styles of leading bodies and leading cadres. Supervision by party organizations should be combined with the supervision by the masses, by the media, by democratic parties, and by persons without party affiliation to establish a network of supervision from higher levels downward and from lower levels upward. We should strive to create an atmosphere in which the entire party and the leading bodies and leading cadres at all levels implement democratic centralism on their own accord so as to promote the basic

work for and the overall level of democratic centralism to a new and steady standard.

Over 500 persons were present at the session, including provincial leaders Zhang Yueqi, Su Rong, Feng Ximing, and Zhou Zaikang; students of the first discussion session; persons in charge of organizational, personnel, discipline inspection, and supervision work of the departments and units directly under the province; and responsible comrades of the party committees of various organs.

Liaoning Secretary Sets Party Building Demands

SK1502035595 Shenyang LIAONING RIBAO in Chinese 18 Jan 95 p 1

[FBIS Translated Text] On the morning of 17 January, the meeting on party building of the organs directly under the provincial authorities opened at Liaoning People's Theater in Shenyang. The meeting summarized the 1994 party building work of the organs directly under the provincial authorities and arranged for the 1995 work. Attending the meeting were provincial leaders Gu Jinchi, Shang Wen, Xu Wencai, Zhang Lingyun, and Xu De. Also attending were secretaries and concurrent secretaries of party committees of the units directly subordinate to these organs, as well as representatives of advanced collectives and individuals, more than 1,100 persons in all.

The meeting was presided over by Xu Wencai, standing committee member and secretary general of the provincial party committee and secretary of the working committee of the organs directly under the provincial authorities. Zhong Yongyin, deputy secretary of the working committee of the organs directly under the provincial authorities, made a report entitled "Conscientiously Implement the Guidelines of the Fourth Plenary Session of the 14th CPC Central Committee and Concentrate on Grasping Party Building Among the Organs Directly Under the Provincial Authorities." At the meeting, commendations were given to 13 advanced party committees, 46 advanced party branches, 60 excellent communist party members, and 32 outstanding party affairs workers. Lu Zhengang, secretary of the party committee of the provincial bridge construction general company and head of the hydroelectric office under the research institute of the Northeast Power Company, and Wang Shengxia, master of ceremony of the Liaoning Economic Broadcasting Station, reported on their advanced and exemplary deeds.

Gu Jinchi, secretary of the provincial party committee, made a speech at the meeting. He first extended, on behalf of the provincial party committee, warm congratulations and high respects to the advanced party organizations and excellent individuals who were commended at this meeting!

He said: In the past year, all levels of party organizations under the provincial organs led the vast numbers of

party members, staff, and workers to study the theory of building socialism with Chinese characteristics, to uphold the party's basic line, to emancipate the mind, to deal with concrete matters, and to make innovations, thus making contributions to the "second pioneering program." Because this year is essential to the comprehensive fulfillment of the Eighth Five-Year Plan and is extremely important for us to push forward the new great cause in line with the overall arrangement for party building, the tasks we face this year are extremely arduous. Therefore, we should make great efforts to build the organs directly under the provincial authorities into ones that are "highly efficient, are able to make innovations and deal with concrete matters relating to work, and are clean and honest in administration" so that these organs can truly serve as the advisers to the provincial party committee and the provincial government.

In his speech, Gu Jinchu demanded: First, the organs directly under the provincial authorities should arm their party members and cadres with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. These party members and cadres should strive to truly understand and correctly apply this theory. They should strive to deepen their understanding of the situation of the province and of trades, catch sight of the favorable conditions and potential for further development, define the idea of economic development, and strive to make progress every year and embark on a new stage once every several years. They should further emancipate the mind, take the lead in changing concepts and functions, and pay attention to readjusting the structures of industries and products. They should embrace the consciousness of market competition and enhance the confidence of depending on their own strength to accelerate development. They should persist in and perfect the democratic centralism and pay attention to building leading bodies. They should persist in the principle of taking a two-handed approach and being tough with both hands and provide spiritual motivation for reform, opening up, and economic development. They should also mobilize the enthusiasm of the vast numbers of cadres and the masses in serving the "second pioneering program." Second, the organs directly under

the provincial authorities should strengthen the building of party organizations at the grass-roots level and give play to the role of these organizations as the fighting fortress and to the vanguard and exemplary role of their party members. While implementing the "decision" of the fourth plenary session of the 14th CPC Central Committee, these organs should conduct a survey and analysis of the current situation of party organizations at the grass-roots level and then draw up plans to consolidate and build up the party organizations that are weak, listless, and paralyzed. These organs should establish and perfect various systems and actually strengthen the education on party spirit to resolve the problem that some party members are lacking ideals and confidence and have been failing to play their vanguard and exemplary role. They should pay attention to exploring, studying, and summarizing the laws and methods relating to party building under the new situation of market economy. Third, these organs should vigorously strengthen organizational building and improve their work efficiency and service level. They should pay attention to resolving the problems of being lax in discipline and work style and being inefficient in work. By fostering the work style of truly attending to practical work, they should carry out level by level the various work tasks defined by the provincial party committee and establish a strict responsibility system in order to truly achieve results. They should reduce the number of meetings, documents, and activities and go deep into the grass-roots areas to resolve practical problems. They should particularly go deep into the localities and units that have difficulties to learn about the real situation of the people and resolve problems and remove difficulties to them. We hope that every department of the organs directly under the provincial authorities will take a typical case based on its profession to help guide the work and will give support to one difficult enterprise or one poverty-stricken village. Fourth, these organs should actually strengthen the building of their leading bodies and comprehensively improve the expertise of their leading cadres. Through the study of the theory and through practice, existing leading cadres should obtain better theoretical and ideological expertise, be more able in studying and resolving major problems, and acquire a stronger sense of adhering to principles in work, a systematic approach, foresight, and creativity.

Hong Kong

Mainland Official Sees No Change to Secrets Law

HK1502060295 Hong Kong SOUTH CHINA
MORNING POST in English 15 Feb 95 p 3

[By So Lai-fun]

[FBIS Transcribed Text] No new laws would be needed after 1997 to stop state secrets being leaked, according to the mainland co-convenor of Beijing's panel on legal affairs.

Shao Tianren said the Official Secrets Act provided enough protection for both the central Government and the Special Administrative Region government.

His remarks came as the Preliminary Working Committee's legal sub-group gave approval for the Official Secrets Act (1992) to continue beyond the changeover.

Echoing Mr Shao's comments, the Hong Kong co-convenor of the sub-group, Simon Li Fook-sean, said the act could be used as the foundation for implementation of Article 23 of the Basic Law, which requires the Special Administrative Region to enact legislation concerning "theft of state secrets".

He said the act was in line with the Basic Law except for the inclusion of some colonial terms. It could be used together with its 1911, 1920 and 1989 versions.

The issue hit the headlines last year when Ming Pao reporter Xi Yang was jailed for 12 years in China on charges of stealing state secrets.

The conviction related to financial information.

Mr Li rejected suggestions that China's national security law should be extended to the territory.

"I think it is impossible for it would be a violation of 'one country, two systems' and of the existing laws."

Asked whether the territory and the mainland should have identical definitions of the term "secret", Mr Li said it was a matter for the Hong Kong Government.

'Front-Runner' for SAR Chief Profiled

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[By Angelica Cheung; first in weekly series of articles on leading candidates for SAR (Special Administrative Region) chief executive]

[FBIS Transcribed Text] At first glance, John Chan just seems to be perfect. He is like a younger version of the late Chinese premier Zhou Enlai well-educated, with good repartee, efficient and devoted. Too perfect, some would say. He has proved remarkably adept at maintaining a glossy and impenetrable facade that repels all attempts to glimpse the real man behind it.

For two years, people have wondered why he resigned at the peak of his career as the Secretary of Education and Manpower—the highest position a Chinese civil servant had ever reached at the time when he was only 50.

Most believed he wanted to avoid getting hurt in the current political turmoil so that he could emerge unscathed when the time came for him to give full vent to his ability, as Zhou did during the Cultural Revolution.

Whatever the reason, the former Government high-flyer never really disappeared from the political spotlight. He is still tipped by political pundits as a front-runner for the job of first chief executive of the future Special Administrative Region government.

Even the press conference held when he took the post of Kowloon Motor Bus's managing director was like his one-man show—most questions were about his career prospects rather than the new job.

Chan gives a neutral and practical impression. He was a well-known civil servant, but always kept a low profile; he worked for the colonial government for 27 years, but always distanced himself from the British government. He never criticised China, yet nobody said he was pro-China. He is one of the rare political figures who is trusted by the British and accepted by the Chinese government.

Some interesting gossip adds colour to this mysterious figure. Persistent rumours circulated about a massive safe full of secret documents in his office, which was unusual, even for a senior official.

In 1978, Chan gave up a highly-paid position in the Government and joined Sun Hung Kai. Some surmised it was a deliberate Government arrangement—assigning him to garner in-depth knowledge of the operation of commercial organisations. Two years later, he returned to the Government.

After becoming a civil servant in 1964, Chan was given a series of fast-track official posts. In 27 years, he has followed five Governors and filled a string of key positions. He accumulated a wealth of experience, and knows the machinations of Government intimately.

He was the first Chinese to hold the senior position of the personal secretary of former Governor Murray MacLehose, a breakthrough in those pre-localisation days.

He was closely involved in the Sino-British negotiations, which culminated in the agreement to transfer sovereignty of Hong Kong in 1997. At that time, he worked 20 hours a day, eating only in the office. The result; he could recite the entire Joint Declaration fluently from memory in English, Mandarin and Cantonese. This period also taught him much about dealing with senior mainland officials.

He was generally believed to be the best draftsman in the Government and his perfect command of English, his second language, left many British colleagues feeling distinctly inadequate.

Chan's deft handling of the issue of importation of labour in 1992 showed his ability in settling complicated matters. At that time, all political parties opposed a rise in imported labour. Workers demonstrated in the streets and union leaders threatened to take industrial action.

After debating with dozens of representatives from different parties and groups, Chan doubled the quota. Smarter still, he set up a workers' retraining programme as part of the importation scheme to stop others from blaming the Government for not doing anything to train local workers. Not an obviously charismatic figure, Chan's principal qualities are those of a high order bureaucrat. He is well liked by his colleagues, held by many government officials to be "quick to react, accurate in making decisions, fair-minded, scrupulously honest, smart and efficient."

Occasionally, he shows a sense of humour. Short (1.55m) and chubby, he once said he was the only senior local official who could see eye-to-eye with the equally diminutive Chinese leader Deng Xiaoping.

He has developed the verbal skills of a diplomat. Once he joked: "I have 27 ways to say no. I learned one way a year."

When he resigned, Cheung Man-yee, director of broadcasting, said Chan was too proud to put up with being treated coldly by Governor Chris Patten, who held differing political views.

Chan took a humorous view of the comment, saying it was difficult for him to explain why he resigned, just like it was difficult for him to tell why he married his wife and not someone else.

Facing curiosity over his pay at KMB, he said his salary from the Government (about \$100,000 a month) was enough for breakfast, while his new pay was enough to buy dinner.

When asked by the press whether Patten asked him to stay when he resigned, Chan quoted the Civil Servant Ordinance, saying civil servants are entitled to retire when they reach a certain age and the Government cannot refuse.

Although "treat people with sincerity" is his motto, he spoke every line with caution, yet every line seemed to contain 100 per cent sincerity.

While every inch a civil servant, he managed to build a good relationship with the press during his time as the administration's chief information officer. At his farewell party, some journalists presented him with a caricature drawing which prompted him to go on a diet. Within three months, following a regime suggested by legislator Martin Lee, he lost 4.5kg.

Some critics perceive Chan as too close to the the British administration in Hong Kong to win China's trust and the nod for the top job in 1997.

But he always had a ready reply to justify his position: "I should represent the organisation I work for. I am a civil servant, I should explain government policies to the public. If I criticise the relative policies, then I am not carrying out my responsibility."

Chan has rejected all requests for profile interviews since leaving the Government, but some clues can be found from his earlier comments on Hong Kong. He thought that because of the changes in the political system and the increasing criticism directed at the Government from political parties and Legislative Council members senior civil servants were losing the initiative in making policies and having to contend increasingly with political considerations. Also, he believed the Government had switched to developing narrow and shortsighted policies to avoid having to consult with China.

The veteran civil servant suggested his colleagues should talk more with Chinese officials to enhance understanding, so that China would trust them and their abilities. His comments at his farewell reception on leaving government reflected his sedate style: "It's very important to be sincere dealing with people. As long as it is not against principles, one should consider what others feel and not do things the other side does not like. If one side thinks one way is better, the opposite side might as well give in a little bit."

Although many Chinese officials liked dealing with Chan he never established a pro-Beijing image. When people thought China would invite him to join the Preliminary Working Committee, he said in public that it would be "in convenient" for him, a former Executive Councillor. He deftly headed off possible embarrassment by stopping China from inviting him formally.

Chan is known to have decided firmly to stay in Hong Kong. The following assertion is very much to China's liking: "I am also a human being. Of course I thought of immigration. But having been to many places, I find Hong Kong the best place. Being Chinese, staying here is better than being a second-rate, third-rate citizen overseas."

The eldest son of a conservative family in Hong Kong, he married at 22 to his first love, a girl he had known for seven years. They have been together for more than 36 years and have a son and a daughter.

In school, Chan's grades were always excellent. Yet he was not a bookworm. He was interested in football, running, drama, debating, singing, swimming, bowling and even horse racing. He was the captain of his school football team at the Jesuit-run Wah Yan College, which won several interschool competitions. He likes both classical music and pop songs and professes a love of singing in the shower.

The Cantonese opera lover is a member of Wah Yan Dramatic Society. With senior officials such as Sun Ming-yeung and Wong Sing-wah, he puts on heavy costumes and wears colourful make-up to perform Cantonese opera in English for charity purposes.

Last year, they raised more than \$500,000 for the school and several million dollars for Tung Wah Hospital. Wong Chin-wah, chairman of the society, used to teach young Chan science and mathematics. He remembers Chan was hardworking, but he did not expect him to be so successful.

He says: "John is very smart. He can read musical scores and can play piano. Whenever I give him a new piece, he picks it up very quickly. He has a very good memory. He comes on Sunday morning and always looks happy and behaves like a school kid. He doesn't have the air of a Government official. He never talks about work or politics. I'm proud of him."

His first overseas trip was an award he won in a debating contest in 1959—to Singapore and Malaysia, where he became a spicy food convert.

Chan has been a member of Hong Kong Jockey Club for almost 30 years. At one point he owned a horse, but it was quickly retired after a series of dismal performances. After leaving the Government, he became a steward of the club.

Looking for his weak points is hard. Some observers believe that having joined the private sector twice, he would not command the trust of fellow bureaucrats if he plunged back into administration—even as the top dog.

Like Zhou, Chan is a good policy implementer, being meticulous, efficient and practical. But whether he would make a good chief executive depends on Hong Kong's situation after 1997. If the territory is to maintain a modicum of political and economic independence, a tough chief executive of striking character is needed to help Hong Kong find its position on the international stage. But this is not part of Chan's make-up. Instead of immersing himself in the political maelstrom, he prefers to observe from a safe distance. The Jockey Club steward

likes to hedge his bets. Rather than risk all chasing after the chief executive's job, he will watch from the sidelines, secure in the knowledge that he has a well-paying, apolitical, 1997-friendly job with KMB, even if the ambitions he surely harbours secretly to pit himself against the challenges of steering Hong Kong through the stormy times ahead are not realised.

If Hong Kong is to become just a subordinate part of China, which is likely now, Chan, a pragmatist and Government loyalist who knows the Government and the private sector, is a suitable choice. A too-tough chief executive would not only be unacceptable to Beijing, but would also cause instability to Hong Kong.

Despite the offers made to him when he left the Government, including the flagship companies of tycoon Li Kashing, Chan went for KMB because it was a public service company, which he regarded as congenial to his background.

He appeared to avoid establishing a distinctive businessman image and viewed his new post as an extension of his public service, including membership of the councils of the University of Hong Kong and the stock exchange.

Soon after he joined KMB, he revealed its plan to expand business into China which included setting up large-scale vehicle manufacturing factories there.

Chan once said that the post of chief executive required knowledge of different aspects of Hong Kong, commitment to the territory, a mild temperament, a sound education and an intimate knowledge of the Basic Law.

Obviously, Chan possesses his self-listed qualities. By 1997, he will be 54—a spring chicken compared with China's wrinkled, grey-speckled ruling gerontocracy. His comparative youth may count for him—or against him. Chan has never dismissed the possibility of rejoining the Government in the future.

"In politics, you can never say never ... from a personal point of view, I can either attack or defend. At that time, if there is some meaningful work for me, of course I will be glad to do it."

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